

3721: Political Economy of Inequality and Redistribution

Spring 2012

MW 2:30-4:00 pm, Seigle Hall L006

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Office Hours: Thursdays, 2:00-4:00 pm

Office Location: Seigle 259

Course Description

This course is designed to introduce students to the academic literature and debates on the relationship between domestic politics, income redistribution by the state, and economic inequality, both in advanced industrial countries and in the developing world. Throughout the course, we will focus on the following themes: a) political institutions and poverty, b) partisanship, political beliefs and redistribution, c) political factors affecting long-run evolution of income inequality, d) clientelism and social welfare policy, e) the relation between ethnic divisions and public goods provision, and f) the effects of income inequality on political outcomes.

Prerequisites

There are no formal prerequisites. No math knowledge beyond a high school level math is assumed. Simple game theory and statistics will be introduced if necessary during the lectures to help students better understand the reading material. Students are not required to understand the mathematical aspects of the papers, but they are required to know and understand the logic of the arguments and to be able to explain and discuss it in words.

Grading Policy and Requirements

Grades will be based on participation (30%), in-class midterm (30%), and an in-class final exam (40%).

Participation - 30%

Students are required to attend all class meetings. Missing more than 2 meetings without a doctor's note will result in a lower participation grade. Students are required to notify the instructor by e-mail if they intend to miss a class, and to provide a formal note from a doctor covering the days on which the student was absent. Students are expected to read the required material before coming to class, and be prepared to discuss it.

Midterm - 30%

There will be an in-class midterm on March 7 that will cover all the material from the beginning of the semester through March 5. The midterm questions will be either multiple choice or will require short answers.

Final Exam - 40%

The final exam will follow the same format as the midterm.

There will be no make-up exams, unless a student cannot attend the exam on the original date due to a medical or a family emergency. A doctor's note covering the original exam date will be required to schedule a make-up exam.

Cheating and Plagiarism

Cheating and plagiarism during the midterm and the final exam will not be tolerated. For definitions of cheating, plagiarism, and the severe consequences of such behavior please review the Washington University policy online at <http://wustl.edu/policies/undergraduate-academic-integrity.html>.

SCHEDULE

Week 1: January 18 - Introduction and course logistics

PART I

Week 2a: January 23 - Arguments For and Against Inequality

- Documentary: Free to Choose. Episode 5: Created Equal.

Week 2b: January 25 - Overview of Topics

- Edward Glaeser. 2008. "Inequality" in Barry Weingast and Donald Wittman. eds. *Oxford Handbook of Political Economy*.
- Nolan McCarty and Jonas Pontusson (2008) "The Political Economy of Inequality and Redistribution". in Wiemer Salverda, Brian Nolan and Timothy Smeeding eds. *Oxford Handbook of Economic Inequality*

Week 3a: January 30 - Income Inequality in the Long-Run

- Thomas Piketty and Emmanuel Saez. 2006. "The Evolution of Top Incomes: A Historical and International Perspective" . *American Economic Review, Papers and Proceedings*. 96 (2): 200-205.
- Thomas Piketty and Emmanuel Saez. 2003. "Income Inequality in the United States, 1913-1998". *Quarterly Journal of Economics*, 118(1): 1-39.

Week 3b: February 1 - Evolution of the Welfare State in Historical Perspective

- Peter Lindert. 2004. *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*. New York: Cambridge University Press, chs. 1 and 2.

PART II

Week 4a: February 6 - US: The New Gilded Age I

- Larry Bartels. 2008. *Unequal Democracy: The Political Economy of the New Gilded Age*. Princeton: Princeton University Press. Chapters 1, 2.

Week 4b: February 8 - US: The New Gilded Age II

- Larry Bartels. 2008. *Unequal Democracy: The Political Economy of the New Gilded Age*. Princeton: Princeton University Press. Chapters 6 and 8.

Week 5a: February 13 - Comparing US to Europe I

- Alberto Alesina and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference* Oxford University Press. Chapters 2-3.

Week 5b: February 15 - Comparing US to Europe II

- Alberto Alesina and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference* Oxford University Press. Chapters 4-5.

Week 6a: February 20 - India and China

- Abhijit Banerjee and Thomas Piketty. 2010. "Top Indian Incomes, 1922-2000 in A.B. Atkinson and T. Piketty eds. *Top Incomes in Global Perspective*.
- Thomas Piketty and Nancy Qian. 2010. "Income Inequality and Progressive Taxation in China and India, 1986-201" in A.B. Atkinson and T. Piketty eds. *Top Incomes in Global Perspective*.

Week 6b: February 22 - Developing Countries: Effect of Democracy

- Lisa Blaydes and Mark A. Kayser. 2011. "Counting Calories: Democracy and Distribution in the Developing World". *International Studies Quarterly* 55: 887-908.
- Masayuki Kudamatsu. "Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence from Micro Data" *Journal of the European Economic Association*. forthcoming.

Week 7a: February 27 - Developing Countries: Clientelism

- Susan Stokes. 2007. "Political Clientelism". in Carles Boix and Susan Stokes, eds. *Oxford Handbook of Comparative Politics*. Oxford University Press.
- Rebecca Weitz-Shapiro. "Clientelism and Social Welfare Policy in Argentina Municipalities" mimeo. Columbia University.

PART III

Week 7b: February 29 - Inequality and Redistribution

- Allan Meltzer and Scott Richard. 1981. "A Rational Theory of the Size of Government". *Journal of Political Economy* 89(5): 914-27.
- Moene, Karl Ove and Michael Wallerstein. 2001. "Inequality, Social Insurance, and Redistribution" *American Political Science Review* 95(4): 859-874.

Week 8a: March 5 - Beliefs and Redistribution I

- Piketty, Thomas. 1995. "Social Mobility and Redistributive Politics". *Quarterly Journal of Economics* 110(3): 551-584.
- Benabou, Roland and Jean Tirole. 2006. "Belief in a Just World and Redistributive Politics" *Quarterly Journal of Economics* 121(2): 699-746.

Week 8b: March 7

- In-class midterm.

Week 9: March 12 & March 14 - Spring break

- No class.

Week 10a: March 19 - Beliefs and Redistribution II

- Fong, Christina, 2001. "Social Preferences, Self-Interest, and the Demand for Redistribution". *Journal of Public Economics*, LXXXII: 225-246.
- Alberto Alesina and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference* Oxford University Press. Chapter 7.

Week 10b: March 21 - Religion

- Kenneth Scheve and David Stasavage. 2006. "Religion and Preferences for Social Insurance". *Quarterly Journal of Political Science*. 1(3): 255-286.
- John Huber and Piero Stanig. 2010. "Church-state Separation and Redistribution", mimeo. Columbia University.

Week 11a: March 26 - Race and Ethnicity

- Erzo Luttmer. 2001. "Group Loyalty and the Taste for Redistribution". *Journal of Political Economy* 109(3): 500-528.
- Alberto Alesina and Edward L. Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference* Oxford University Press. Chapter 6.

Week 11b: March 28 - Race and Ethnicity II

- David Austen-Smith and Michael Wallerstein. 2006. “Redistribution and Affirmative Action”. *Journal of Public Economics* 90: 1789-1823.
- Oriana Bandiera and Gilat Levy. 2011. “Diversity and the Power of Elites in Democratic Societies: Evidence from Indonesia”. *Journal of Public Economics* 95: 1322-1330.

PART IV

Week 12a: April 2 - Inequality and Polarization

- Nolan McCarty, Keith Poole, and Howard Rosenthal. 2006 *Polarized America: The Dance of Ideology and Unequal Riches*, MIT Press, chapters 1 and 2.

Week 12b: April 4 - Inequality and Polarization II

- Nolan McCarty, Keith Poole, and Howard Rosenthal. 2006 *Polarized America: The Dance of Ideology and Unequal Riches*, MIT Press, chapters 3 and 4.

Week 13a: April 9 - Inequality and Institutions

- Daron Acemoglu and James Robinson. 2000. “Why did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective”. *Quarterly Journal of Economics*: 1167-1198.
- Adam Przeworski. 2005. “Democracy as an Equilibrium”. *Public Choice*: 253-73.

Week 13b: April 11 - Inequality and Institutions II

- Edward Glaeser, Jose Scheinkman, Andrei Shleifer. 2003. “The Injustice of Inequality”. *Journal of Monetary Economics* 50: 199-222.
- Kenneth Sokoloff and Stanley Engerman. 2002. “Institutions, Factor Endowments and Paths of Development in the New World”. *Journal of Economic Perspectives* 14(3): 217-32.

Week 14a: April 16 - Inequality and Violence I

- Sambanis, Nicolas. 2004. “Poverty and the Organization of Political Violence: A Review and Some Conjectures.” Manuscript.
- Boix, Carles. 2008. “Economic Roots of Civil Wars and Revolutions in the Contemporary World”. *World Politics*, 60(3): 390-437.

Week 14b: April 18 - Inequality and Violence II

- Ostby, Gudrun. 2008. “Polarization, Horizontal Inequalities, and Violent Civil Conflict.” *Journal of Peace Research*, 45 (2): 143-62.

- Cederman, Lars-Erik, Nils B. Weidmann, and Kristian Skrede Gleditsch. 2011. "Horizontal Inequalities and Ethnonationalist Civil War: A Global Comparison." *American Political Science Review*, 105(3): 478-95.

Week 15: April 23 & April 25 - Wrap-up: What did we learn?