

Wealth and Poverty

Professor Robert B. Reich

Spring semester, 2016

This course is designed to provide students with a deeper understanding of the organization of the political economy of the United States and why earnings and wealth have been diverging over the last thirty-five years. Given that most of the underlying forces causing this trend in the U.S. are also prevalent in other nations, the lessons learned in this course are likely to be relevant elsewhere. The course is also intended to provide insights into the political and public policy debates that have arisen in light of this divergence, as well as possible means of reversing it.

Required readings and materials.

– **Readings** will be available on b-courses. Alternatively, you may purchase a course reader from Copy Central, 2576 Bancroft Way. In addition, please obtain the paperback edition of Reich, Supercapitalism (Vintage, 2008).

– **i-clicker remotes** are also required. They're devices that allow you to respond to questions posed during lecture. New and used i-clicker remotes can be purchased or rented at the University Bookstore. **Register your i-clicker online within the first two weeks of class by going to <http://www.iclicker.com/registration>.** Complete the fields with your first name, last name, student ID, and i-clicker remote ID. The remote ID is the series of numbers and sometimes letters found on the bottom of the back of your i-clicker remote. **To complete the registration you'll also need to register on bCourses for this course.** Your i-clicker remote will be used in every lecture for interactive coursework and also to track your attendance, so be sure to bring it.

Lectures and sections.

Lectures will be Fridays from 12 to 2 pm, in Wheeler Hall, starting January 22. Because we'll be covering a great deal of material in a short time, your attendance and focus are essential. No laptops, smart phones, or similar devices. (And please take care of stomachs and bladders before lecture.)

Your **sections** will meet for the first time the week of January 25-29; then and in subsequent weeks their focus will be on the preceding Friday's lecture. Be sure to check when and where your section meets. You must attend the section you're enrolled in.

Grades.

Grades will be based:

40 percent on participation in your section and attendance at lecture;

5 percent on the first essay, due at the end of lecture Friday, February 5;
25 percent on the second essay, due at the end of lecture Friday, February 26;
30 percent on the third essay, due at end of lecture, Friday, April 22.
We expect final grades will reflect the normal distribution of grades at Berkeley.

Course team:

Robert Reich's email is rreich@berkeley.edu. His assistant is Rebecca Boles (rboles@berkeley.edu, 642-0560).

Head GSIs for the course are Kate Glassman (kateglassman@berkeley.edu), who is handling sections and enrollment, and Taylor Smiley (tsmiley@berkeley.edu), who is handling all other administrative matters.

GSIs will be holding weekly office hours for those who wish to discuss course materials in more depth, or have questions concerning material covered. GSI's will let students in their sections know times and locations of these sessions.

GSIs for the course, and their email addresses are:

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Part One: The Dynamics of Wealth and Poverty

January 22: The Big Split

Readings:

Ben Casselman, “The American Middle Class hasn’t Gotten a Raise in 15 Years,” FiveThirtyEightEconomics, September 22, 2014 (<http://fivethirtyeight.com/features/the-american-middle-class-hasnt-gotten-a-raise-in-15-years/>).

Ralesh Kochbar and Richard Frey, “Wealth Inequality Has Widened Along Racial, Ethnic Lines Since End of Great Recession,” Pew Research Center, December 12, 2014 (<http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>).

Reich, Aftershock, chapters 2 and 3 (2010).

Martin Wolf, “Why Inequality is Such a Drag on Economies,” Financial Times, September 30, 2014 (<http://www.ft.com/intl/cms/s/0/8b41dfc8-47c1-11e4-ac9f-00144feab7de.html#axzz3xujtLGyZ>).

Robert Frank, “Darwin, the Market Whiz,” New York Times, September 17, 2011 (<http://www.nytimes.com/2011/09/18/business/darwin-the-market-whiz.html>)

James Surowiecki, “The Mobility Myth,” The New Yorker, March 3, 2014 (<http://www.newyorker.com/magazine/2014/03/03/the-mobility-myth>).

Contrasting views:

Edward Conard, “The Distribution and Income Effects of Risk-Taking,” from Unintended Consequences, 2012, pp. 77-87.

Arthur C. Brooks, “The Downside of Inciting Envy,” New York Times, March 1, 2014 (<http://www.nytimes.com/2014/03/02/opinion/sunday/the-downside-of-inciting-envy.html>).

David Brooks, “The Inequality Problem,” New York Times, January 1, 2014 (<http://www.nytimes.com/2014/01/17/opinion/brooks-the-inequality-problem.html>).

For further reading:

Daron Acemoglu and James Robinson, Why Nations Fail, chapter 12 “The Vicious Circle.”

Milton Friedman, Capitalism and Freedom, chapter 10, “The Distribution of Income.”

Henry George, Progress and Poverty (1890), chapter 1, “The Problem”
http://www.henrygeorge.org/pdfs/PandP_Drake.pdf

Questions: Are “wealth” and “poverty” absolute or relative concepts? Isn’t inequality inevitable and necessary? At what point, if ever, does it become a problem? What kind of problem?

January 29: The Consumer’s View: the best buy from anywhere, anyhow, no matter what

Readings:

[Deborah Stone, Policy Paradox, chapter 2.](#)

[Greenhouse, The Big Squeeze, chapter 8.](#)

[Reich, Supercapitalism, chapter 3.](#)

[Soper, “Inside Amazon’s Warehouse,” The Morning Call, September 17, 2011.](#)

[Greenhouse, “In Indiana, Centerpiece for a City Closes Shop,” New York Times, 6/19/10.](#)

For further reading:

N. Gregory Mankiw, Principles of Economics, Chapter 21, “The Theory of Consumer Choice”.

Questions: How do consumers gain from a “free market?” Who wins and who loses when airlines, telephones, and utilities are deregulated? Or when supermarkets start using automated checkout lines? Or when Wal-Mart offers great deals?

February 5: The Investor’s View: The highest return, regardless.

Readings:

Reich, “Saving Capitalism,” chapters 10 and 11.

[Supercapitalism](#), chapter 5;

[Surowiecki, “Open Season,” The New Yorker, October 21, 2013;](#)

[Minter, “Al Dunlop and the Shareholder Revolution,” American Enterprise, Nov. 1996, pp 82-83;](#)

PLEASE NOTE: First essay due today at end of class.

For further reading:

Ralph Gomory and Richard Sylla, “The American Corporation,” Daedalus (Spring 2013).

Questions: Do you agree with “Chainsaw” Al Dunlop’s view of the corporation? If not, why not? For whom does the corporation exist? For whom should it exist? Is there such a thing as “corporate social responsibility”?

February 12: Globalization, Technological Change, and Jobs

Readings:

Supercapitalism, chapter 1.

Reich, The Work of Nations, chapters 14 and 17.

Hacker, The Great Risk Shift, chapters 1 and 3.

David Rotman, “How Technology is Destroying Jobs,” MIT Review, June 12, 2013.

Michel, Shierholz, and Schmitt, “Don’t Blame the Robots,” EPI-CEPR Working Paper, November 2013

<http://www.epi.org/publication/technology-inequality-dont-blame-the-robots/>

“Supersize my Wage,” New York Times (2013).

“How the US Lost Out on iPhone Work,” New York Times (2012).

For further reading:

Thomas Piketty, Capital in the Twenty-First Century, chapter 7 “Inequality and Concentration.”

<http://dowbor.org/blog/wp-content/uploads/2014/06/14Thomas-Piketty.pdf>

Emmanuel Saez and Gabriel Zucman, “Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data,” National Bureau of Economic Research (October, 2014);

<http://gabriel-zucman.eu/files/SaezZucman2014.pdf>

Rodrick, “Has Globalization Gone Too Far?” Challenge, vol. 41, No. 2 (1998)

http://www.piie.com/publications/chapters_preview/57/1iie2415.pdf

Questions: What are the major job categories of the future? Why is one paying more and more, and the other paying relatively little? Why are jobs becoming less stable? What is the future likely to hold?

*** PLEASE NOTE: No class February 19

February 26: The Community's View: Who's wanted? Who's not?

Readings:

[The Future of Success, chapter 10.](#)

Phillip Longman, "Why the Economic Fates of American Cities Diverged," The Atlantic, November 28, 2015.

<http://www.theatlantic.com/business/archive/2015/11/cities-economic-fates-diverge/417372/>

[Kozol, chapter 1, "Life on the Mississippi: East St. Louis, Illinois," from Savage Inequalities.](#)

[Kirp, "Here Comes the Neighborhood," New York Times, October 20, 2013.](#)

Emily Badger, "The Long, Painful, and Repetitive history of How Baltimore Became Baltimore," Washington Post, April 29, 2015.

<https://www.washingtonpost.com/news/wonk/wp/2015/04/29/the-long-painful-and-repetitive-history-of-how-baltimore-became-baltimore/>

Podcast: <http://www.thisamericanlife.org/radio-archives/episode/512/house-rules/> (2013)

Video: The Raising of America. <https://vimeo.com/59185115>

For further reading:

[Chetty, Hendren, and Katz, "The Effects of Exposure to Better Neighborhoods on Children," NBER Working Paper, May 2015.](#)

Carnoy, Garcia, and Khavenson, "Bringing it Back Home," Economic Policy Institute, October 30, 2015.

<http://www.epi.org/publication/bringing-it-back-home-why-state-comparisons-are-more-useful-than-international-comparisons-for-improving-u-s-education-policy/>

[Raj Chetty, Nathaneil Hendren, Partrick Kline, and Emmanuel Saez, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," NBER Working Paper, January 2014](#)

PLEASE NOTE: Second essay due today at end of class.

Questions: Why is it becoming easier for the wealthier to segregate from the poorer within a nation? What forms does the segregation take in addition to geographical? What are the consequences? Is this much different from a nation as a whole cutting itself off from others around the world who are poorer?

March 4: Power

Readings:

Reich, Saving Capitalism, chapters 1 through 9.

Steven M. Teles, “The Scourge of Upward Redistribution,” National Affairs, Fall 2015.

David Dayen, “Bring Back Antitrust,” The American Prospect, Fall 2015.
<http://prospect.org/article/bring-back-antitrust-0>

For further reading:

Jason Furman and Peter Orszag, “A Firm-Level Perspective on the Role of Rents in the Rise of Inequality,” October 2015.

Questions: How does market power translate into economic power? How does economic power translate into political power? How does political power translate into market power? How much of the phenomenon of widening inequality is due to this vicious cycle?

Part Two: Responses

March 11: Taxes and Redistribution

Readings:

Lewis Brown Jr. and Heather McCulloch, Building an Equitable Tax Code (2014);

Ray Madoff, “How the Government Gives,” New York Times, December 6, 2013;

Eduardo Porter, “The False Hope of Limited Government, Built on Tax Breaks,” New York Times, March 31, 2015.

http://www.nytimes.com/2015/04/01/business/economy/the-false-hope-of-a-smaller-government-built-on-tax-breaks.html?_r=0

[Mufson and Yang, “Capital Gains Tax Rates Benefitting Wealthy Feed Growing Gap Between Rich and Poor,” Washington Post, September 11, 2011;](#)

[“More Redistribution, Less Income,” Wall Street Journal, November 23, 2014.
http://www.wsj.com/articles/more-redistribution-less-income-1416782352](#)

[Jeff Guo, “Why a German Billionaires Says the Pledges Like Mark Zuckerberg’s Are Really Bad,” Washington Post, December 2, 2015.](#)

For further reading:

[“Distribution of Household Income and Federal Taxes,” Congressional Budget Office \(2013\).](#)

Questions: In what ways are earnings now redistributed upward – from the poor or the lower middle to the upper middle and the rich? In what ways are they redistributed downward? What’s the difference between redistribution policies that focus on taxes, and those that focus on the beneficiaries of government programs financed by taxes?

March 18: Expanding Opportunity: The struggle to remedy discrimination.

Readings:

[Melvin and Shipiro, Black Wealth, White Wealth, chapter 1;](#)

[Nikole Hannah-Jones, “Segregation Now,” The Atlantic, May 2014;](#)

[Leonhardt, “Rethinking Affirmative Action,” New York Times, October 13, 2012;](#)

[Michael Luo, “In Job Hunt, College Degree Can’t Close Racial Gap,” New York Times, December 1, 2009;](#)

[Jennifer Berdahl, “Find the Quiet Heroes and Fire the Bad Apples,” New York Times, October 30, 2014.](#)

[Derek Thompson, “Why the Gender-Pay Gap is Largest for the Highest-Paying Jobs,” The Atlantic, December 17, 2014.](#)

[Paul Kiel, “Debt and the Racial Wealth Gap,” New York Times, January 3, 2016](#)

For further reading:

[Peggy Young vs. United Parcel Service.pdf](#)

Questions: How are women and minorities discriminated against in the labor market? What's the difference between how law and public policy bar private discrimination, and how they bar government discrimination? What sorts of employment discrimination are legal? Justifiable?

***** PLEASE NOTE: No class March 25**

April 1: Trying to Raise Wages: Labor unions, the minimum wage, unemployment insurance, and the EITC.

Readings:

[Sherman and Trisi, "Safety Net More Effective Against Poverty Than Previously Thought," Center for Budget and Policy Priorities, May 6, 2015.](#)

Florence Jaumotte and Carolina Osorio Buitron, "Union Power and Inequality," www.voxeu.org, October 22, 2015.

<http://www.voxeu.org/article/union-power-and-inequality>

[Uchitelle, "Unions Yield on Wage Scales to Preserve Jobs," New York Times, November 19, 2010.](#)

[Mankiw, "We Can't Ignore the Law of Supply and Demand," The Boston Globe, June 24, 2001](#)

["Studies Show EITC Encourages Work and Success in School," Center for Budget and Policy Priorities, June, 2012.](#)

[Barro, "The Folly of Subsidizing Unemployment," The Wall Street Journal, August 30, 2010 .](#)

[Reich, "Why A Civil Society Extends Unemployment Benefits," August 30, 2010.](#)

For listening:

[Intelligence squared Abolish the min Wage debate transcript.pdf](#)

Podcast: "Trends With Benefits," [This American Life](#), March 22, 2013.

<http://www.thisamericanlife.org/radio-archives/episode/490/trends-with-benefits>

Questions: Which of these strategies succeeds in raising the wages of the bottom half? At what cost?

April 8: Raising Wages by Increasing the Demand for Work: The debate over macroeconomic policy and jobs

Readings:

[Roger Lowenstein, "The Villain," The Atlantic, April 2012.](#)

[John Cassidy, "The Demand Doctor," New Yorker, October 10, 2011.](#)

[Jared Bernstein, "It's Full Employment, Stupid," The American Prospect, November 4, 2002.](#)

[Sarah Bloom Raskin, "Building a Financial Structure for a More Stable and Equitable Economy," Federal Reserve \(2013\).](#)

For further reading:

[G.N. Mankiw, "The Monetary System," Principles of Macroeconomics.](#)

Questions: What's the effect of macroeconomic policy on inequality? Distinguish fiscal and monetary policies. How fast can the economy grow without igniting inflation? How and under what conditions does faster growth reduce inequality?

April 15: The Ongoing Battle over Health Care

Readings:

Background to the nation's healthcare crisis:

<http://www.pbs.org/wgbh/pages/frontline/gsearch.html?x=0&y=0&q=healthcare>

["The Presidential Healthcare Curse," The Commonwealth Fund \(2013\);](#)

[Leonhardt, "In Health Bill Obama Attacks Wealth Inequality," New York Times, April 23, 2010.](#)

[Ezra Klein, "The Affordable Care Act's Big Giveaway to Stingy States," Washington Post, July 3, 2012.](#)

[Kevin Drum, "America's Real Criminal Element: Lead," Mother Jones, January-February 2013;](#)

[Porter, "Rationing Health Care More Fairly, New York Times, August 21, 2012.](#)

[Sabrina Tavernise, “Reversing Trend, Life Span Shrinks for Some Whites,” New York Times, September 21, 2012.](#)

[Sarah Kliff, “Do You Understand Health Insurance,” Washington Post \(2013\).](#)

[Chin Jou, “Cutting Food Stamps Will Cost Everyone,” The Atlantic, June 17, 2013.](#)

For further reading:

[Atul Gawande, “The Hotspotters,” The New Yorker \(2011\).](#)

Questions: Why and how is inequality related to health? Assuming that good health care is a limited resource that must somehow be rationed, what’s the best means of doing so – through the market, government, or some other means? How can poor and lower-income families achieve better health?

April 22: The Great Debate over Education and Inequality

Readings on K-12:

[The Work of Nations, chapters 18 and 19;](#)

[Nikole Hannah-Jones, “How School Segregation Divides Ferguson – and the United States,” The New York Times, December 21, 2014;](#)

[Leonhardt, “The Case for \\$320,000 Kindergarten Teachers,” The New York Times, July 27, 2010.](#)

[Ramming, “The Case Against \\$320,000 Kindergarten Teachers,” The Washington Examiner, August 3, 2010.](#)

Podcast: “Is This Working?” [This American Life, October 17, 2014.](#)
<http://www.thisamericanlife.org/radio-archives/episode/538/is-this-working>

Readings on Higher Education:

[“Is College Worth it? Pew Research Center, 2011, chapter 5.](#)

[Leonhardt, “Top Colleges, Largely for the Elite,” New York Times, May 24, 2011.](#)

[Reich, “How Selective Colleges Heighten Inequality,” Chronicle of Higher Education, 7/00.](#)

PLEASE NOTE: Final essay due today at end of class.

Questions: Why are higher wages correlated with more education? What are the positions in the major debate over how to fix our public schools? Should it be a national goal that every child has access to higher education?

April 29: The Future of Inequality: Where do we (and you) go from here?

Readings:

[Hacker and Pierson, Winner-Take-All Politics, Chapter 10 and Conclusion.](#)

[Supercapitalism](#), chapter 4.

[Aftershock](#), Part III chapter 2.

[Cassidy, “Is Support for Income Redistribution Really Fading?” New Yorker, April 17, 2015.](#)

[Andy Kroll, “The Supreme Court Just Gutted Another Campaign Finance Law. Here’s What Happened,” Mother Jones, April 2, 2014.](#)

“Campaign Finance 40 Years Later,” [The New York Times](#), October 13, 2014.

<http://www.nytimes.com/roomfordebate/2014/10/13/campaign-finance-40-years-later-23>

Podcast: “Take the Money and Run for Office,” [This American Life](#), March 30, 2012.

<http://www.thisamericanlife.org/radio-archives/episode/461/take-the-money-and-run-for-office>

Podcast: “Individuals and Organizations have a Constitutional Right to Unlimited Spending on their Own Political Speech,” Intelligence Squared debate, December 4, 2014.

<http://intelligencesquaredus.org/debates/past-debates/item/1141-individuals-and-organizations-have-a-constitutional-right-to-unlimited-spending-on-their-own-political-speech>

For further reading:

[Bonica et al., “Why Hasn’t Democracy Slowed Widening Inequality?” Journal of Economic Perspectives, Summer 2013.](#)

Questions: What is “leadership” in an age of widening inequality? What’s your role?

Additional (optional) readings: In the event you have additional time or energy for some additional reading, or if you’ll have some time in the future, here are some books that you may find helpful.

Lawrence Bartels, Unequal Democracy: The Political Economy of the New Gilded Age, Princeton University Press, 2008;

Rebecca Blank, Changing Inequality, University of California Press, 2011;

Edward Conrad, Unintended Consequences, Penguin, 2012;

Philip Dray, There is Power in a Union, Doubleday, 2010;

Robert Frank and Philip Cook, The Winner-Take-All Society, Penguin, 1995;

Robert Frank, Falling Behind, University of California Press, 2007;

John Kenneth Galbraith, The Affluent Society, Houghton-Mifflin, 1958;

Claudia Golden and Lawrence Katz, The Race Between Education and Technology, Belknap Press, 2008;

Jody Heymann, Forgotten Families, Oxford University Press, 2006;

Jacqueline Jones, American Work: Four Decades of Black and White Labor, Norton, 1998;

Robert Kaiser, So Damn Much Money, Knopf, 2009;

Branko Milanovic, The Haves and the Have Nots, Basic Books, 2012;

Katherine Newman, A Different Shade of Gray, New Press, 2003;

Benjamin Page and James Simmons, What Government Can Do: Dealing with Poverty and Inequality, University of Chicago Press, 2000;

Thomas Piketty, Capitalism in the Twenty-First Century, Harvard University Press, 2014;

Robert Reich, "Saving Capitalism: For the Many, Not the Few," Knopf, 2015;

Reich, Aftershock, Knopf, 2010;

Reich, Supercapitalism, Knopf, 2007;

Reich, The Work of Nations, Knopf, 1992;

Amartya Sen, Development as Freedom, Knopf, 1999;

David Shipler, The Working Poor, Knopf, 2004;

Joe Soss, Jacob Hacker, and Suzanne Mettler, eds., Remaking America: Democracy and Public Policy in an Age of Inequality, Russell Sage, 2007;

Joseph Stiglitz, The Price of Inequality, Norton, 2012;

Richard Wilkinson and Kate Pickett, The Spirit Level, Bloomsbury Press, 2009.

US Government Data

Overall government search – FirstGov.com, firstgov.gov/

US Department of Education – ed.gov

US Department of Labor – dol.gov

Data on income: Current Population Survey – census.gov/hhes/www/income.html

Data on US budget – gpo.gov/usbudget