

Debating Inequality

What is Capitalism?

Two angles used in class:

1) wide angle – theories, datasets, etc. that give broader picture

2) close up – ethnographic focus on people's everyday lives and experiences; what does expanding *inequality* feel like?

Expanding Economic Inequality

- How much of a problem is expanding inequality? How concerned should we be?
- What is the evidence for expanding inequality?
- What are the reasons people give for what is causing it?

The Work of the Future:

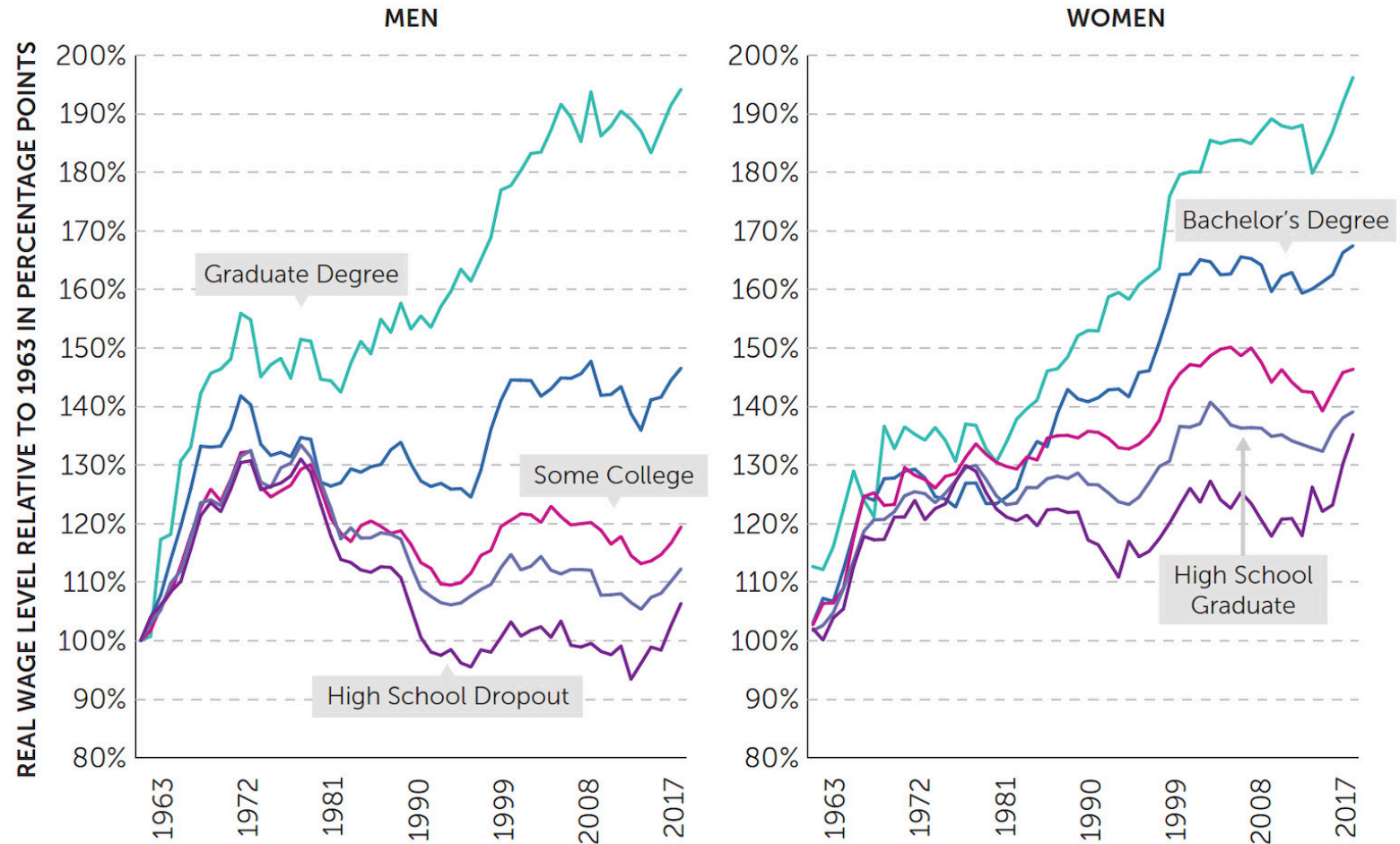
Building Better Jobs in an Age of
Intelligent Machines

2020

Autor, David, David A. Mindell, and Elisabeth B. Reynolds. *The Work of the Future: Building Better Jobs in an Age of Intelligent Machines*. MIT Press, 2020. © MIT Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Figure 3. Real Wages Have Risen for College Graduates and Fallen for Workers with High School Degree or Less Since 1980

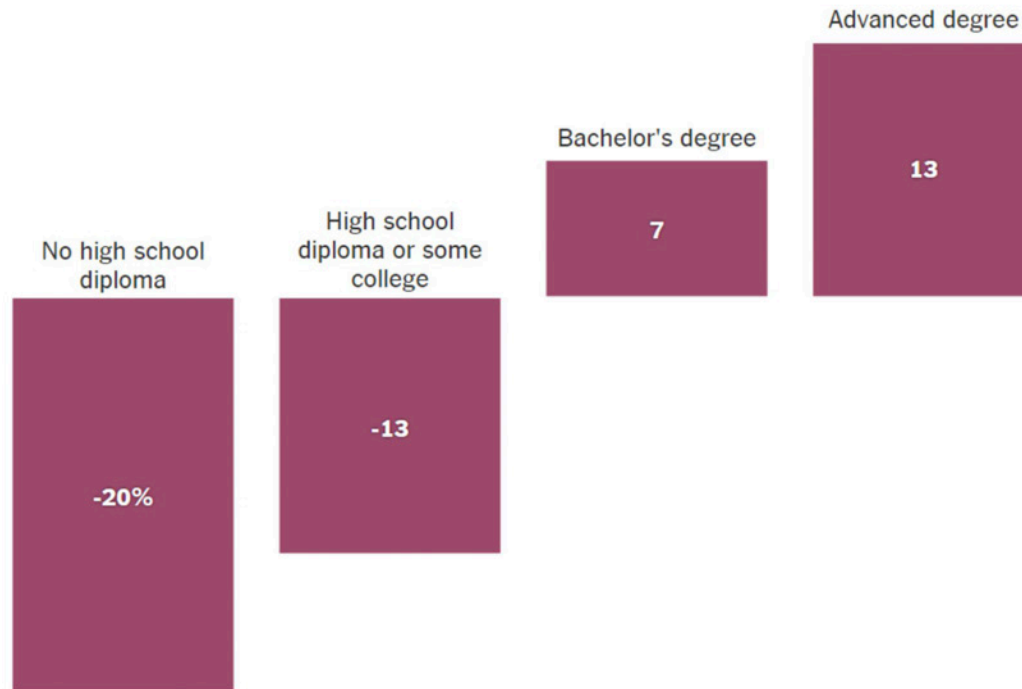
CUMULATIVE CHANGE IN REAL WEEKLY EARNINGS OF WORKING-AGE ADULTS AGES 18–64, 1963–2017



Source: Autor, David H. “Work of the Past, Work of the Future.” *AEA Papers and Proceedings* 109 (May 2019): 1–32.

Autor, David, David A. Mindell, and Elisabeth B. Reynolds. Figure 3 from *The Work of the Future: Building Better Jobs in an Age of Intelligent Machines*. MIT Press, 2020. © MIT Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Percent change in median real earnings of working-age men, 1990 to 2013



Adapted from the 2015 article "Why American Workers Without Much Education Are Being Hammered"

Men age 30 to 45 who are employed at the time of census survey and worked 750 or more hours over the previous year.

Source: Hamilton Project analysis of Census data

Irwin, Neil. "[Why American Workers Without Much Education Are Being Hammered](#)," *New York Times*, April 21, 2015. © The New York Times Company. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

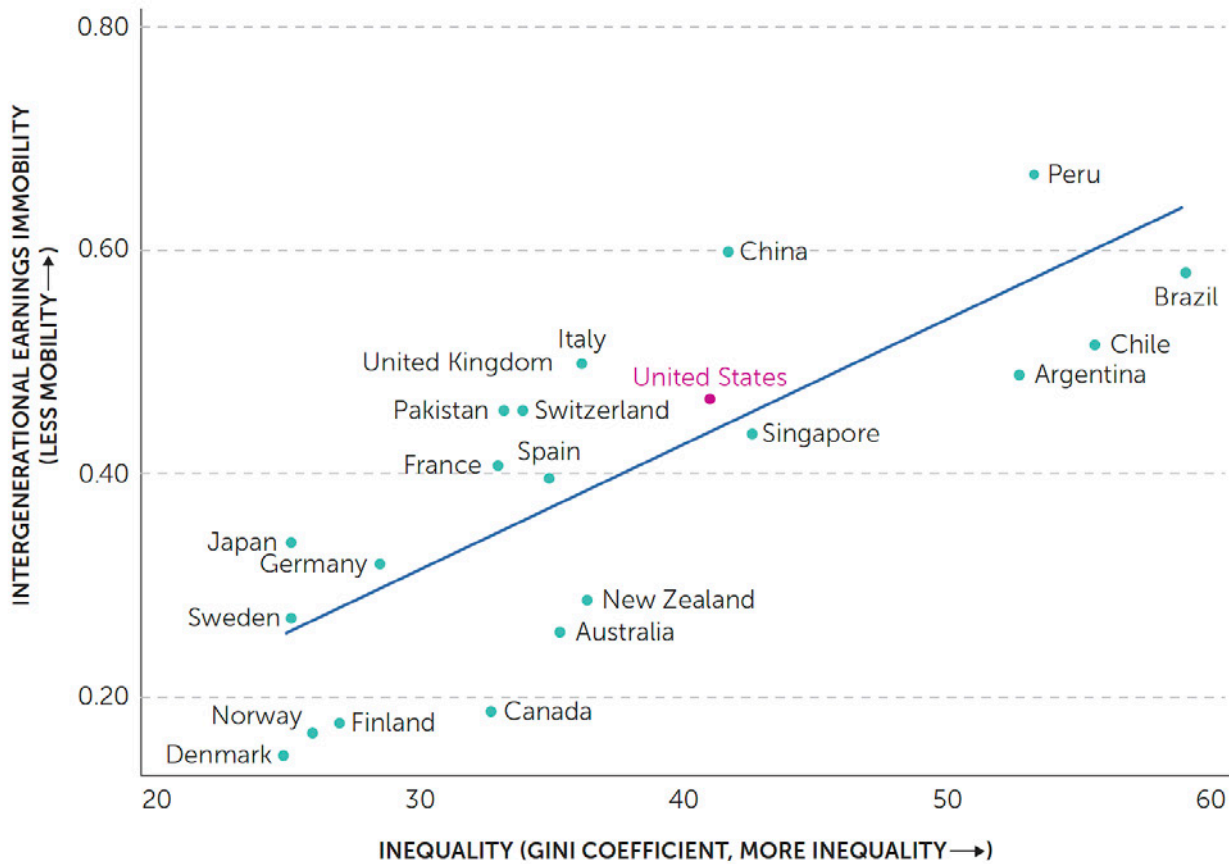
- Between 1979 and 2018, share of all pre-tax national income in the United States flowing to top 10% of adults rose from 25% to 47% - so 10% of individual adults received almost half of national income
- Share of national income accruing to top one percent rose from 11% to 19%, meaning 1% of adults received a fifth of all income.
- Share of total income flowing to bottom 50% declined from 20% to 14%

From Final Report, MIT Taskforce on the Work of the Future, 2020, pg. 21

According to Pew Research Foundation in 2015:

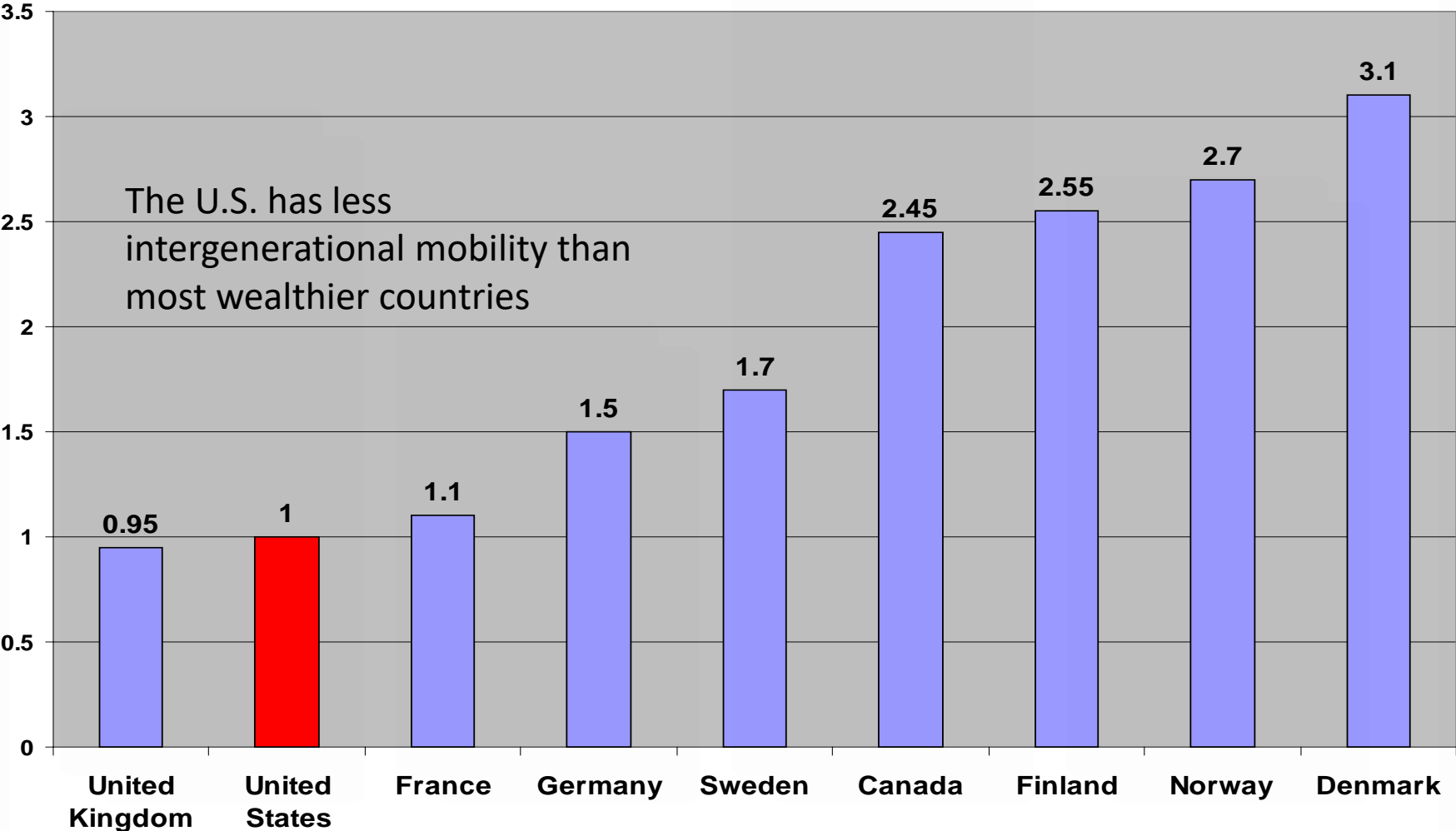
50% of U.S. defined as “middle class”
down from 61% in 1971

Figure 11. Across Countries, More Earnings Inequality Is Associated with Lower Intergenerational Economic Mobility

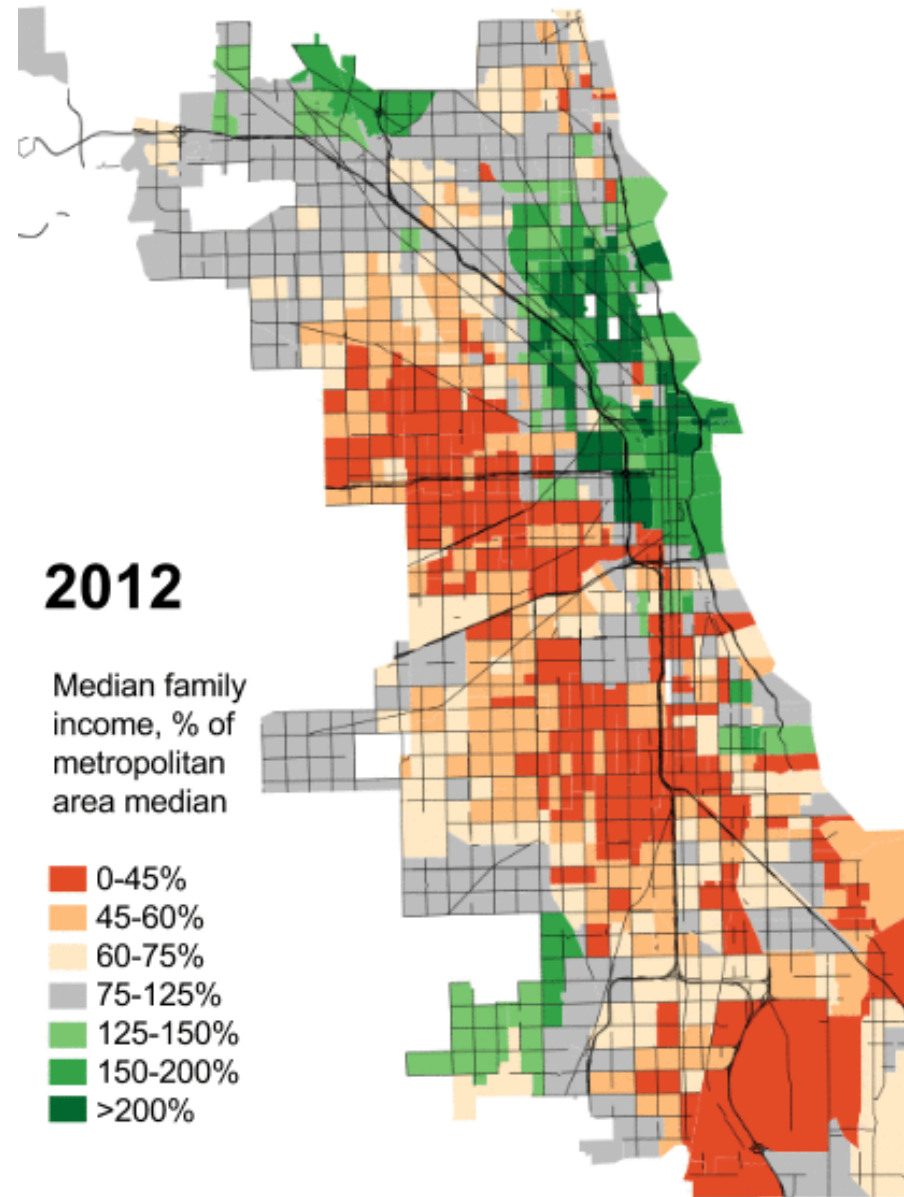
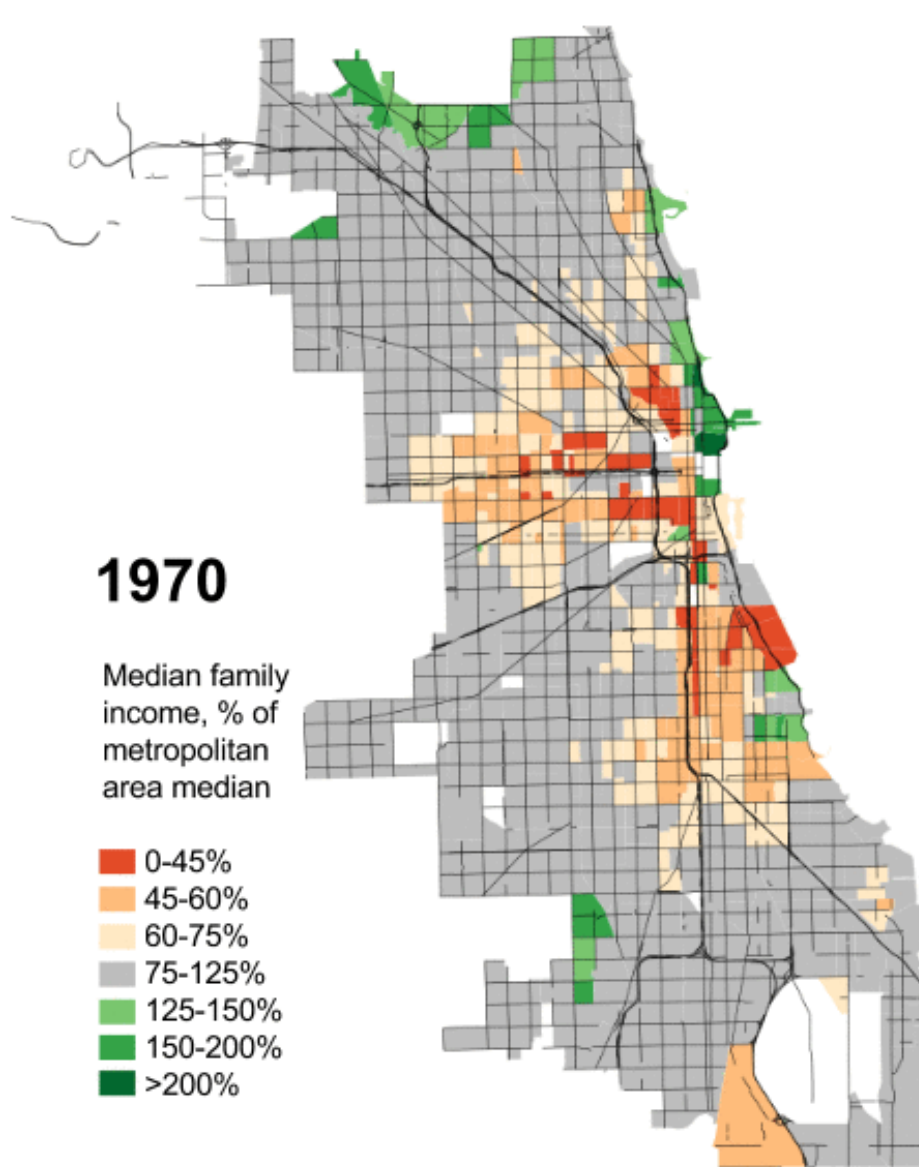


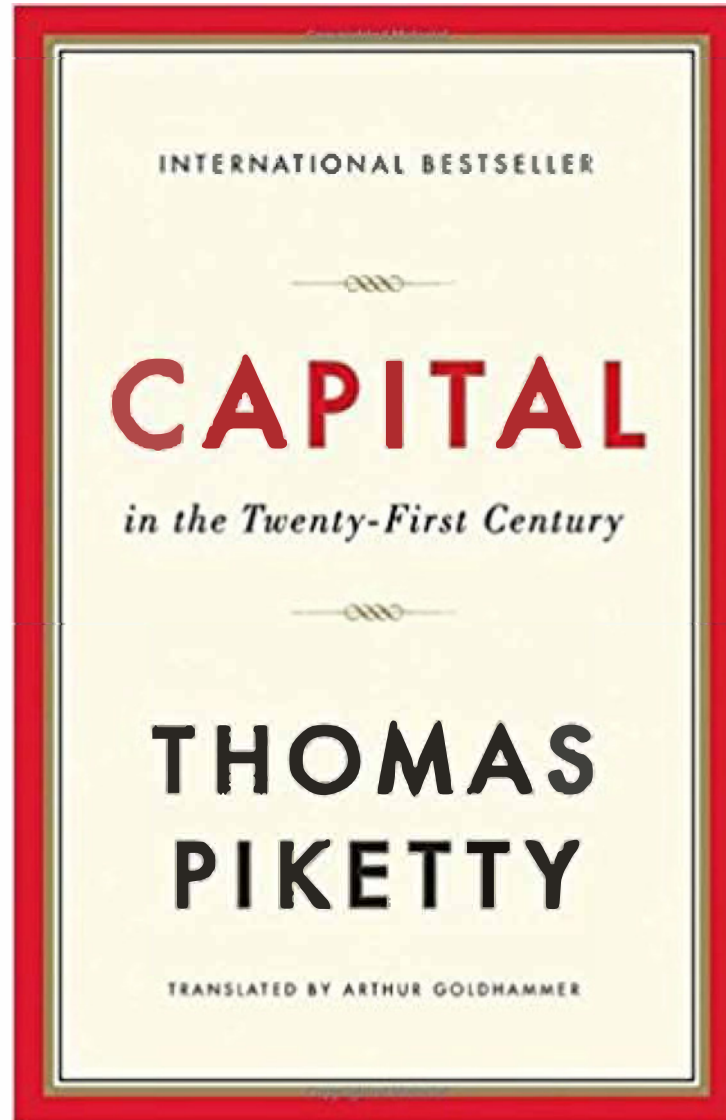
Source: Miles Corak (2013), “Inequality from Generation to Generation: The United States in Comparison,” in Robert Rycroft (editor), *The Economics of Inequality, Poverty, and Discrimination in the 21st Century*, ABC-CLIO <https://milesacorak.com/2012/01/12/here-is-the-source-for-the-great-gatsby-curve-in-the-alan-krueger-speech-at-the-center-for-american-progress/>

Intergenerational Mobility across Countries (2006)



Source: Economic Policy Institute





- Piketty looks at dynamics and distribution of wealth between and within countries since the 18th century
- He looks at data from 20 countries over 3 centuries – but relies most heavily upon data for wealthier countries since more complete

$$r > g$$

Pg. 26 “When the rate of return on capital significantly exceeds the growth rate of the economy.....then it logically follows that inherited wealth grows faster than output and income..”

Piketty, Thomas. *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer. Belknap Press, 2014. © Belknap Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

“People with inherited wealth need save only a portion of their income from capital to see that capital grow more quickly than the economy as a whole. Under such conditions it is almost inevitable that inherited wealth will dominate wealth amassed from a lifetime’s labor by a wide margin, and the concentration of capital will attain extremely high levels – levels potentially incompatible with the meritocratic values and principles of social justice fundamental to modern democratic societies.”

Piketty

- pg. 32 “...the discipline of economics has yet to get over its childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with other social sciences. Economists are all too often preoccupied with petty mathematical problems of interest only to themselves. This obsession with mathematics is an easy way of acquiring the appearance of scientificity without having to answer the far more complex questions posed by the world we live in.”

Piketty, Thomas. *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer. Belknap Press, 2014. © Belknap Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Critiques of Piketty:

- Data challenges: how do we compare across time and regions given differences in data?
- Should decrease in inequality after World War II be thought of simply as “external” shocks?
- Role of policy and unions

Jobs in Manufacturing

- In 1960, 1/3 of all laborers were in manufacturing (outside of agriculture); 62% of those jobs were unionized.
- In 2010, 1/8 of all laborers were in manufacturing; 13.6% were unionized.

-from Bureau of Labor Statistics

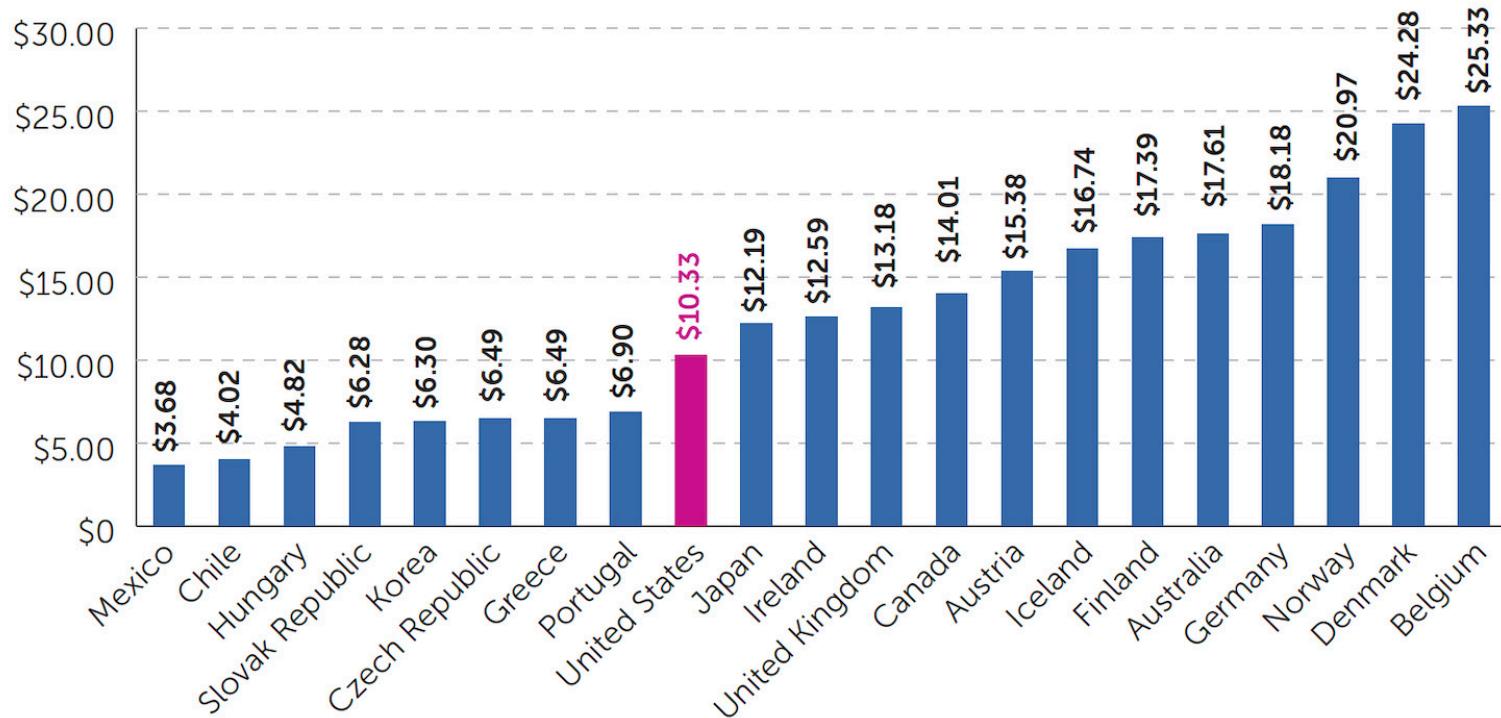
Increase in Temp Work

- 2.7 million workers were temp workers in 2013; highest recorded # in U.S.
- 1/5th of job growth since Great Recession ended in mid-2009 has been in temp sector
- Largest growth in temp sector has been in blue collar work; 1 in 20 blue collar workers are temps
- Temps generally earn 25% less than permanent workers, have twice the rate of injuries, and less access to benefits, pensions, etc.

- From ProPublica based on Labor Dept. stats from June 2013

Figure 7. Low-Skill Workers in the U.S. Receive Lower Pay Than in Other Industrialized Countries

PPP-ADJUSTED GROSS HOURLY EARNINGS OF LOW-SKILL WORKERS IN THE U.S. AND OTHER OECD NATIONS



Source: <https://stats.oecd.org/Index.aspx?QueryId=82334>

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