real-world economics review, issue no. 104
subscribe for free

A Note on Teaching Economic Inequality

Junaid B. Jahangir [MacEwan University, Canada]

Abstract
This note is motivated by rising inequality during the COVID pandemic and by calls from student groups in the aftermath of the financial crisis to address contemporary issues including economic inequality. Three textbook options are reviewed to showcase that they do not provide a comparative look on policies to combat inequality. Moreover, the CORE textbook that has been promoted as an alternative to standard textbooks is fraught with information overload and advanced concepts. It is emphasized that the preponderant academic position is shifting towards seriously addressing and combating economic inequality. Thus, lesson plans based on three video clips and Blanchard and Rodrik (2021) are showcased to address economic inequality. Overall, Disney animation clips sustain student interest, retention, and participation more effectively.

Keywords: CORE text; inequality; teaching economics
JEL Classification: A22, D63
Disclosure Statement: There are no competing interests to declare.

1. Introduction

I use the Mankiw, Kneebone, and McKenzie (2020) textbook to teach the principles of microeconomics to ECON 101 students. The topic of economic inequality appears towards the back of the textbook in Chapter 20 and is not usually covered given time constraints. Moreover, the textbook focuses on the issues in measuring inequality and on poverty reduction than on the contemporary discussions on the Top 1% and the policies to address inequality. The objective, therefore, in this paper is to offer a note on teaching economic inequality to economics students (at the principles or higher level) in a way that sustains student interest beyond the chalk and talk method that has been heavily critiqued since Becker and Watts (1996). This motivates the use of short video clips in conjunction with class discussions to facilitate student retention and interest.

The renewed approach in this note is motivated by three factors. First, in the world shaped by the financial crisis, student groups critiqued the way economics is taught through the neoclassical paradigm and stylized mathematical models instead of real-world issues including economic inequality and climate change (Earle, Moran, and Ward-Perkins, 2017). Similarly, some faculty promoted the online CORE textbook in response to the criticisms levelled against the neoclassical paradigm (Bowles and Carlin, 2020). Second, in the world affected by the COVID pandemic, economic inequality exacerbated even in a country with a strong tax and transfer system like Canada, where the wealth of Canada's 44 billionaires massively increased by $63.5 billion even as employment declined by 636,000 jobs in 2020 since March of that year (Tencer, Jan 27, 2021). Third, the editors of the book *Combating Inequality* collected the voices of 29 high profile experts including Mankiw to push the argument that economists should tackle economic inequality instead of offering counter arguments that “we can’t afford it,” “we don’t have enough evidence,” or that “incentives will be distorted” (Blanchard and Rodrik, 2021, p. xx). Thus, based on student activism and faculty response, the world shaped by the financial crisis and the COVID pandemic, and the shift in academia led by high profile experts, a renewed perspective on teaching economic inequality is warranted.

This paper is structured around six sections. In Section 2, a critical review of the Mankiw, Kneebone, and McKenzie (2020) textbook and alternative options in terms of teaching economic inequality is undertaken. In Section 3, a brief review of select Canadian and U.S. academic literature on economic inequality is undertaken. In Section 4, short video clips from the Disney animation, The Princess and the Frog, and YouTuber Dhruv Rathee’s video on nepotism tax are highlighted to introduce students to economic inequality through lesson plans that spark student interest and facilitate retention. In Section 5, salient ideas are presented from popular books, which could be assigned to advanced students for book review projects, followed by a lesson plan based on Blanchard and Rodrik (2021) for class discussions. Concluding remarks are provided in Section 6.

2. A brief review of textbook options

In terms of reviewing textbooks to teach economic inequality, three options are considered. First, the Mankiw, Kneebone, and McKenzie (2020) textbook, as I used it to teach microeconomics at the ECON 101 level. Second, the Ragan (2020) textbook, as it seems to be a bridge between neoclassical economics and perspectives found in options like the CORE text. Finally, the CORE textbook, which introduced a new module on teaching economic inequality in June 2021.

Mankiw, Kneebone, and McKenzie (2020)

The Mankiw, Kneebone, and McKenzie (2020) textbook does not address economic inequality until Chapter 20 of the textbook. This chapter lacks a discussion on the impact of globalization and technological change on economic inequality. Starkly missing are the real word issues of the outsourcing of companies, offshoring of jobs, the impact of automation on jobs, and the role of taxes, minimum wage, and unions in combating inequality. Instead, the chapter introduces inequality data through average market income by quintiles and the before and after-tax Gini coefficients, which is a technical way to introduce ECON 101 students to the topic. However, both Osberg (2018) and Piketty (2022) critique the use of Gini coefficients, as the former argues that the rise of the Top 1% is not captured by the Gini index (pp. 9-10) and the latter advises against its use instead favouring measures like the income proportion that goes to the Bottom 50% or the Top 1% (p. 29). Moreover, the chapter introduces a dense discussion on the problems in measuring inequality. It emphasizes that inequality measures do not account for in kind transfers like food vouchers and highlight concerns on measuring inequality including the distinction on lifetime versus annual income and permanent versus current income. However, instead of issues in measuring inequality that could be relegated to higher classes, ECON 101 students are better engaged by visual stories. Overall, this textbook provides data based on Gini coefficients instead of the income share of the Top 1%, and highlights measurement issues instead of discussing issues around globalization, technological change, outsourcing, offshoring, automation, and the role of taxes in combating inequality.

Ragan (2020)

The Ragan (2020) textbook does not have a separate chapter on inequality. However, it provides a discussion on the causes of inequality along with the policies to tackle it. The author presents data on the income share of the Top 1% (comprised of CEOs, senior executives, professional entertainers, and athletes) and the ratio of the 90th to the 10th percentile income. He mentions that in 2016 the average CEO compensation of the 100 highest paid CEOs in Canada was 209 times greater than the pay of the average Canadian worker, compared to only 40 in the 1980s (p. 345). He highlights the role of globalization, outsourcing of jobs and the role of declining unions, which negatively impact middle class workers, reduce their wages, and contribute to inequality. Likewise, he mentions that technological change and automation exacerbate inequality, as they increase the demand for high skilled workers and reduce the demand for middle skilled workers, who are unable to upgrade their education and skills and therefore compete for low skilled jobs that lowers their wages even further.

Ragan does not deflect from inequality to poverty, arguing that the former itself matters for it reduces social cohesion, intergenerational social mobility and is harmful to democracy, as the wealthy influence government policy. He mentions that some economists argue that high corporate profits are due to market power that arises from patents for pharmaceutical companies and network effects for firms like Amazon, Facebook, Google, Microsoft, and Apple in the technology sector (pp. 290-291). However, he cautions against corporate taxes, stating that the burden usually falls on consumers and workers through higher prices, layoffs, and lower wages. This shifting of the corporate tax burden to workers is especially important in the context of the gig economy based on contract workers without pension and health benefits (p. 345), which means that instead of reducing inequality, such taxes may exacerbate it. Overall, he provides information on the income share of the Top 1%, highlights the issues of globalization, technological change, outsourcing, declining unions, and corporate power, but cautions against corporate taxes to tackle inequality. Another issue is that the topics of inequality and taxation are found in separate chapters 14 and 18 instead of being connected in one place. Finally, the discussion on wealth taxes is starkly missing.

The CORE textbook – Modules on Inequality

The CORE textbook has been promoted by Bowles and Carlin (2020) to change the way economics students are taught ECON 101. It is not without its share of criticism, as Earle, Moran, and Ward-Perkins (2017) write that it undermines “more fundamental calls for change”, maintains the validity of only one perspective, and therefore retains the status quo (pp. 111, 112). Bowles and Carlin (2020) have also conceded the complexity of language in the CORE textbook in contrast to the simpler language found in Mankiw, Kneebone, and McKenzie (2020). Thus, the capstone module 19 in the CORE textbook, which addresses economic inequality, does not seem appropriate for students at the ECON 101 level, as it is fraught with information overload especially through graphs with multiple inter linkages, use of intermediate concepts like intergenerational elasticity of income and wealth, feasible sets, and marginal rate of transformation. Moreover, with such an approach, students get overwhelmed by information overload and technical details instead of retaining the key lessons.

Nonetheless, on June 1, 2021, a new module on inequality was introduced on the CORE website (Naidu, Sethi, and Thomas, 2021). This module distinguishes inequality of opportunity based on factors including income, wealth, education, and neighbourhood, from inequality of outcomes based on talent and effort. It highlights that the latter is deemed acceptable for incentivizing productivity but adds that extreme inequality of outcome should be reduced. This is because the rich can influence policies in their favour and hence economic inequality can be amplified from one generation to the next.

Additionally, it delves into data issues and technical details of constructing the Lorenz curve and the Gini coefficient. Finally, it distinguishes policies that focus on equality of opportunity, which include the minimum wage, supporting unions, and educational access, from policies that focus on taxes and transfers to address inequality. Overall, the new CORE module focuses more on distinguishing inequality of opportunity from inequality of outcomes, and on technical details of the Lorenz curve and the Gini coefficient and less on policies that address economic inequality. As such, even the new module, despite its shorter length, does not overcome the issues of information overload and unnecessary technical details.

To recapitulate, Mankiw, Kneebone, and McKenzie (2020) focus on poverty instead of inequality, and measurement issues and Gini coefficients instead of factors that affect inequality and policies that combat inequality. Moreover, a comprehensive discussion on inequality has to be patched from various chapters of the textbook, which is also true for Ragan (2020). However, the latter sidelines the role of corporate taxes and wealth taxes to address economic inequality. Thus, neither textbook provides a comprehensive discussion on economic inequality in one place. Finally, the CORE modules are rife with issues of information overload, advanced concepts, technical details, and do not delve into the comparison between the policies to combat inequality. Overall, none of the options delve into a comparative look at various policies to combat inequality. Moreover, a better way to broach economic inequality is through visual media for introductory students and popular books for the relatively advanced students. This is because the use of visual media and popular books, which will be showcased in Sections 4 and 5 respectively, better facilitate student interest and retention.

3. A review of the academic literature

Before showcasing visual media and popular books to introduce economic inequality to ECON 101 students, it is important to address the criticisms that the harm of inequality is not well demonstrated, that entertainment and sports multimillionaire superstars bring us joy, and that the issue is mostly about envy. Specifically, in mainstream newspapers, arguments have been made including that “inequality did not rise” and that “inequality does not matter” (Grisold and Theine, 2020). Thus, the empirical literature is briefly reviewed below to showcase the impact of economic inequality on growth. Moreover, academic literature focusing on the U.S. and Canada is briefly reviewed to highlight the point that economic inequality has increased in both countries, that it is related to institutional and policy factors, and that tax and transfer policies can be used to combat inequality.

Review of the empirical literature

Dahlby and Ferede (2013) review the empirical literature to state that early studies with cross-section data found that countries with less inequality had faster economic growth. However, they mention that studies with better data and econometric techniques found that higher inequality is associated with faster economic growth. Similarly, Neves, Silva and Afonso (2016) conducted a meta-analysis of 25 econometric studies and confirm that cross-section based studies find a negative effect of inequality on growth whereas panel studies yield more diverse results. Thus, they conclude that the overall impact of inequality on growth is significant both statistically and economically. More recently, Mdingi and Ho (2021) conducted a comprehensive literature review to show that the relationship between income inequality and economic growth can be negative, positive, or inconclusive. They confirm that early empirical studies show a negative relationship between inequality and growth, but that most later studies show a positive relationship for high income countries and negative relationship for low income countries. They state that early studies use cross-section data and OLS or 2SLS estimations techniques, whereas the later studies use panel data and fixed effects, random effects, or GMM estimation methods. Overall, while data issues and variability in estimation methods preclude a clear position, the preponderant academic position is shifting towards seriously addressing and combating economic inequality, as evident from the following.

Addressing and combating economic inequality

Saez (2005) states that in both the U.S. and Canada, the top income share shows a U pattern. Veall (2012) states that both globalization and technological change are universal phenomena but the surge in the top incomes has been more for U.S. and Canada. He alludes to the increased compensation of CEOs through stock options and the high insider trading in Canada to explain the surge in the incomes of the top earners. On combating inequality, he mentions public healthcare and education and emphasizes the elimination of favourable tax treatment of capital income like stock option deductions. Alvaredo, Atkinson, Piketty and Saez (2013) allude to top tax rate cuts and high executive compensation to explain inequality. Therefore, they argue that the optimal top tax rate could be set as high as 83%. In this regard, Diamond and Saez (2011) argue that tax avoidance and evasion can be mitigated through tax base broadening and tax enforcement.

Saez and Zucman (2019) mention that the very wealthy have access to credit even if most of their assets are illiquid. They argue that the foundations used by the wealthy to avoid paying taxes should also be subjected to the wealth tax. Additionally, they state that the key to successful wealth taxation lies in obtaining information from financial institutions that reveal the value of the assets held by the wealthy. More recently, Clausing, Saez and Zucman (2021) argue that taxing capital is not only justified on equity grounds but also efficiency, as much of capital income is based on rent. They argue for a country-by-country minimum tax with the U.S. as a tax collector of the last resort, for then there would be no incentives for tax havens to offer lower rates and that they would find it beneficial to increase their taxes. Overall, this brief literature feeds into the position taken by Blanchard and Rodrik (2021) to combat economic inequality instead of arguing that "we don't have enough evidence" (p. xx).

To recapitulate, the academic literature shows that economic inequality has increased in both U.S. and Canada, that it is related to institutional and policy factors, and that tax and transfer policies can be used to combat inequality. However, while data issues and variability in estimation methods preclude a clear position on the impact of economic inequality on growth, the preponderant academic position is shifting from the argument that "we don't have enough evidence" and towards seriously addressing and combating economic inequality.

4. Introducing economic inequality through video clips

Since the Becker and Watts (1996) critique of the chalk and talk method, there has been a surge of literature that promotes using video clips and animated cartoons (Al-Bahrani et al., 2016). In this context, Knudsen and Duncan (2018) use Disney animations to teach foundational economics concepts. They argue that textbook discussions are too hypothetical and that video clips reinforce concepts and ideas in a way that traditional pedagogies cannot. Similarly, Mandzik (2022) has illustrated ECON 101 concepts through Disney animations including The Little Mermaid, Cinderella, and Aladdin. These methods are used to make economic content more relatable (which enhances recall) and increase student interest and retention (Acchiardo et al., 2017). Similarly, Dhruv Rathee's videos have been used to broach various topics in a course on Futures Studies and to address climate change in ECON 101 (Jahangir, 2022a, b). Thus, for the purpose of this paper, short video clips from the Disney animation, The Princess and the Frog, are used to broach economic inequality, whereas Rathee's video on a nepotism tax is used to highlight combating inequality.

Lesson Plan – The Princess and the Frog

There are two video clips from this Disney animation that can be shown to broach the topic of economic inequality. It is not necessary for either instructors or students to have seen the entire feature length animation to launch a discussion on economic inequality. Both video clips are about 5 minutes or less and therefore the time commitment in terms of preparation for instructors and the class time required to showcase these clips is low. Thus, instructors, whether they are using a neoclassical textbook, a heterodox textbook, or the CORE textbook, do not necessarily have to overhaul their teaching methods but merely limit technical details in favour of class discussion based on these clips. Using these clips to complement or supplement teaching pedagogy helps instructors go beyond the chalk and talk method and facilitates students to become active participants in class instead of passive recipients of information. Moreover, it curbs information overload that is found in textbooks including the activity-based CORE modules and assists in content retention and recall, as students connect better with childhood memories and visual stories. Thus, a lesson plan based on these video clips can be delineated as follows. It may be noted that the following video clips and pictures can be shown for non-profit educational purposes in a closed classroom setting (as opposed to public viewing for profit) according to fair dealing (in Canada) and fair use (in the U.S.).[1]

Figure 1: Tiana's humble home

Source: https://www.buzzfeed.com/alifacc/reasons-tiana-best-disney-princess
Credit: DISNEY

Clip 1: https://www.youtube.com/watch?v=ySmprrDXutw
Duration: 5:07 minutes

[1] See Fair use on YouTube: https://support.google.com/youtube/answer/9783148?hl=en

Lesson: This Disney story is set in 1920s New Orleans and shows the contrast between the wealthy neighbourhood of Charlotte's family, for whom Tiana's mother Eudora works as the help, and Tiana's segregated neighbourhood of working-class black families. The clip can be used to show that poor neighbourhoods impede upward social mobility. However, instructors will have to facilitate the discussion for the relatively weaker or indifferent students through a series of questions. Sample questions and answers are as follows.

1. Compare Charlotte's room, clothes, means of transportation, and neighbourhood with those of Tiana.

Sample answer: Charlotte's room is packed with many dolls and toys. It is palatial and pink themed. Tiana's mother works as a seamstress and is asked to sew new dresses for Charlotte. Charlotte's father Big Daddy is wealthy, and they live in a neighbourhood with huge mansions that provide privacy to the residents. Unlike them, however, Eudora and Tiana travel by public transport back to their neighbourhood. The contrast is quite vivid, as the neighborhood scenery changes from palatial mansions to humble houses. Tiana's kitchen is piled up and her room is simple with a single doll and few amenities. Moreover, when they make gumbo, they invite the residents of the neighbourhood, who are dressed up in working class clothes compared to Big Daddy's classy suit attire. Thus, the lifestyle is less individualistic and more collective. Overall, the clip shows the contrast in the two neighbourhoods based on which the likelihood of access to opportunities and upward social mobility can be gauged to be much higher for Charlotte than Tiana.

2. In general, what are some of the characteristics of a neighbourhood that impact upward social mobility?

Sample answer: Poor neighbourhoods with poor schools and high unemployment reduce the likelihood of upward social mobility. This is because the facilities available at such schools are less and the teaching staff is poorly paid. Additionally, high unemployment, associated issues of drugs related crime, the low level of education of parents and lack of proper social networks impede youth from investing in skills that contribute to a better life. On the other hand, those in richer neighbourhoods have access to better schools, social networks, and connections that increase their likelihood of obtaining better education skills and economic opportunities.

Figure 2: Tiana's working-class job

Source: https://d23.com/hop-to-it-five-times-princess-tiana-inspired-us-to-follow-our-dreams/
Credits: DISNEY

Clip 2: https://www.youtube.com/watch?v=pUk4qEKOz-w
Duration: 2:37 minutes

Lesson: The second clip shows grown up Charlotte and Tiana. It shows Charlotte as a rich socialite with lots of money to splurge and Tiana working double shift as a server. The clip can be used to contrast the conspicuous consumption of the wealthy with the credit constraints faced by working class entrepreneurs. However, again, instructors will have to facilitate the discussion for the relatively weaker or indifferent students through a series of questions. Sample questions and answers are as follows.

1. How has time shaped the economic opportunities of Charlotte and Tiana?

Sample answer: Tiana refuses to go out dancing with friends, as she is hopelessly saving every penny to pursue her entrepreneurial dream of opening her own restaurant. Charlotte can throw away enough cash to buy beignets to throw a lavish party for a prince. This amount would allow Tiana to pursue her dream, but which would have been next to impossible for her to save on her own. This is captured by her co-worker telling her that: "you ain't never gonna get enough for the down payment … You got about as much chance of gettin' that restaurant as I do of winnin' the Kentucky Derby." Thus, the differences in neighbourhoods in childhood influence the life path and economic opportunities of those children when they become adults. Overall, the clip shows that while the rich engage in conspicuous consumption, the working-class poor are unable to improve their economic conditions despite working very hard and pinching every penny unless they are aided by the patronage of the wealthy.

2. In general, is inequality a serious enough problem to be tackled?

Sample answer: Some believe that the harm of inequality is not well demonstrated and that the issue is mostly about envy based on the conspicuous consumption of the rich. However, inequality abounds in the economy based on various socio-economic demographics including race, gender, and neighbourhood. Addressing inequality is not just about equity but also efficiency, as the working-class entrepreneurs face credit constraints and discrimination. Such workers are already overworked with multiple gig economy jobs and therefore are unable to invest in skills, especially if they have family obligations like caring for children or senior grandparents. On the other hand, the rich have access to social networks and enhance their power further by influencing government policies in their favour or by marrying within the same class. This can be noted from the video when Charlotte and Big Daddy decide to host Prince Naveen. Thus, with assortative mating, wealth remains concentrated instead of flowing to credit constrained workers and this limits upward social mobility and compounds inter-generational inequality.

Lesson Plan – Nepotism Tax

While the video clips from the Princess and the Frog are a great hook to introduce students to the issues of upward social mobility, assortative mating, and inter-generational inequality, Dhruv Rathee's relatively longer video at about 17.5 minutes delves into policies to combat inequality. This video has received more than a million views, and while it is in Hindi, it is clearly subtitled in English and showcases the point that people across the world are serious about combating economic inequality.

Figure 3: Dhruv Rathee – What if nepotism tax exists? Nov 22, 2021

Credits: Dhruv Rathee, YouTube
Clip 3: https://www.youtube.com/watch?v=dlmg5jNV8Hg

Duration: 17:29 minutes

Lesson: This video goes into the policies that India adopted to combat nepotism, which is about those in power favouring their relatives. He mentions that India abolished the real estate tax in 1985, as people could avoid it through loopholes and exemptions, but introduced a wealth tax in 2016. Generally, he states that a wealth tax can be beneficial as it can fund education, healthcare, and environmental initiatives and hence combat inequality. However, he argues that the case for such a tax, which he also calls a nepotism tax is dependent on the revenues generated, administration costs, and loopholes.

Thus, such a tax is ineffective if the revenue generated is negligible, administration costs are high, or if people can avoid paying such taxes through gifts in the absence of a back stop gift tax. Overall, the video provides both the pros and cons of the wealth tax in an Indian context and can be used by instructors to generate a class discussion based on the following question and sample answer.

1. How can an effective wealth tax (nepotism tax) be instituted?

Sample answer: Based on Saez and Zucman (2019), an effective wealth tax can be instituted by obtaining information from financial institutions on the value of the assets held by the wealthy. Moreover, the foundations used by the wealthy to avoid paying taxes should also be taxed as a back stop. This is akin to the role of the gift tax mentioned in the video. Moreover, based on Clausing, Saez and Zucman (2021), various governments can collaborate internationally through a global minimum tax so that there would be no incentives for tax havens to offer lower rates and that they would find it beneficial to increase their taxes. Overall, the efficacy of a wealth tax is based on information, back stop taxes, and international collaboration.

To recapitulate, both video clips from the Disney animation, The Princess and the Frog, can be used to generate a class discussion on economic inequality. The time commitment required from instructors is minimal but the benefit in terms of eliciting student enthusiasm and interest is high. Similarly, Rathee's video on a nepotism tax can be shown to address combating inequality, although the time commitment is slightly higher. Moreover, instructors would have to actively lead class discussions if the student cohort is academically weak or indifferent. Yet, given calls for active participation and moving beyond the chalk and talk method, all three video clips would elicit less work and confusion compared to the information overload and technical details associated with the textbook options reviewed in Section 2.

5. Addressing economic inequality through popular books

While Rathee's video delves into combating inequality and would be sufficient for introductory students, instructors may resort to assigning popular books by academics for a book review project or a class presentation for the more advanced student cohorts. In this regard, Osberg (2018) stands out in the Canadian context along with Piketty (2022) generally. However, instructors who might be averse to the single narrative of Osberg or Piketty, would find a lot of material for class discussions through the arguments of 29 top experts in Blanchard and Rodrik (2021). This edited collection is both popular and academic for while it brings academic voices together, it avoids the use of abstruse mathematics and statistics. Thus, the main gist from these books is delineated below, followed by a lesson plan from Blanchard and Rodrik (2021).

Osberg (2018) addresses economic inequality in Canada as a pressing issue for its impact on political power, financial crises, happiness, economic stability, social problems, and populism. He mentions the income and wealth of the Top 1%, the wage stagnation of the middle-class, and the gap between labour productivity and real wage growth, to depict economic inequality. He states that the Top 1% instigate narratives in their favour through think tanks and policy institutes. Moreover, he states that the Top 1% have an incentive to not support public education as it offers equality of opportunity that smothers their privilege. Finally, he mentions policies including guaranteed annual income, raising the top tax rates, and supporting higher wages to combat economic inequality.

Piketty (2022) is a distillation of two decades of work on economic inequality. He argues that addressing climate change necessitates combating inequality. He rejects the neoliberal prescriptions of budget austerity, liberalization, deregulation, and free flow of capital. However, he critiques both state socialism and Chinese socialism, and instead supports democratic, decentralized, ecological, and participatory socialism that is based on having employees on board of directors, the provision of universal education and healthcare, basic income, and guaranteed employment. Overall, he favours wealth and inheritance taxes, and taxes on multinational companies and billionaires to allow all the citizens of the world access to education and healthcare, based on the argument that the riches of the wealthy are dependent on the labour and resources of the poor countries.

Finally, Blanchard and Rodrik (2021) showcase that there is a diversity of opinions in combating inequality in terms of whether the emphasis should be on implementing a wealth tax, or educational access, and supporting a federal job guarantee or universal basic income. It showcases various strategies like strengthening unions, curbing tax incentives for excessive automation, and introducing a more effective competition policy on superstar firms. Overall, a main strength of this edited collection lies in the convergence of various experts to combat economic inequality albeit through different routes. This difference of opinion can be projected by instructors to lead a rich class discussion. Thus, in what follows a lesson plan is delineated on combating economic inequality.

Lesson Plan – Combating Inequality

Blanchard and Rodrik write in the introduction that while both western Europe and the U.S. experienced globalization and technological change, the relatively lower economic inequality in the former may be attributed to more progressive taxation, stronger unions and minimum wage laws, generous social transfers, and better access to healthcare and education (p. xi, xii). In doing so, they set the stage with the list of policies used to combat inequality. A lesson plan based on series of questions around these policies is as follows.

1. Is access to education an effective policy to combat inequality? Which of the two perspectives seems more persuasive?

Perspective 1: Based on chapter 1 by Lucas Chancel, universal access to high skill education will be necessary to curb the impact of automation on inequality (p. 24).

Perspective 2: Based on Ragan (2020), educational access pays off over the long term but does little to curb current income inequality, workers may not always be able to upgrade their education and skills, and even college graduates are falling victim to long trend inequality (p. 348).

2. Is a wealth tax an effective policy to combat inequality? Which of the two perspectives seems more persuasive?

Perspective 1: Based on chapter 15 by Lawrence Summers, the revenue potential of a wealth tax is overestimated because of tax avoidance through use of trusts, gifts to charity, and division of assets within family members (pp. 145, 146). He adds that wealth taxes failed in Europe, that a wealth tax would incentivize philanthropic transfers and increase the influence of the wealthy, and that even a 6% wealth tax would not attenuate the ability of the wealthy to make political contributions (pp. 144-148).

Perspective 2: Based on chapter 16 by Emmanuel Saez and chapter 29 by Gabriel Zucman, progressive income taxes, estates taxes, and corporate taxes still allow excessive wealth accumulation and are not as effective as a wealth tax (pp. 157, 274). Saez mentions that including all assets in a comprehensive tax base and aggressive enforcement would prevent tax avoidance and evasion, and that any adverse effects of a wealth tax can be mitigated by funnelling tax revenues to education, infrastructure investments, and credit constrained innovators (pp. 153, 158). Likewise, Zucman argues that with an exit tax on moving abroad, sharing of information between financial institutions and tax authorities, refusing tax competition, and by taxing all assets above a high wealth level, a wealth tax can be effectively administered (pp. 272, 273).

3. Is universal basic income an effective policy to combat inequality? Which of the two perspectives seems more persuasive?

Perspective 1: Based on chapter 14 by Gregory Mankiw, a case can be made for supporting universal basic income funded by a value added tax, as that would not distort the incentive to save and invest (pp. 138, 140).

Perspective 2: Based on chapter 22 by William Darity Jr., universal basic income (or the earned income tax credit (EITC)) could subsidize the private sector creating bad jobs and that a better option is a federal government job guarantee, which would be less inflationary, as it would be linked with actual production of goods and services (pp. 215, 216). Similarly, based on chapter 23 by David Ellwood, some of the lowest paid jobs with unpredictable work hours and without career progression like childcare are most important and therefore making such "bad jobs" good would be a better option (pp. 223, 224).

4. What are some of the other policies to combat inequality? Which ones seem more persuasive?

Addressing pre-market inequality: Based on chapter 10 by Tharman Shanmugaratnam, rich parents can make larger investments in their children and this inequality is perpetuated through socially segregated neighbourhoods and schools, and eventually through the job market, where top tier employers hire graduates who attended good schools and universities (pp. 100, 103). Thus, combating inequality necessitates addressing pre-market inequality in terms of access to quality schools.

Supporting unions: Based on chapter 21 by Richard Freeman, there is an inverse empirical relationship between union density and inequality, as unions narrow the pay distribution among employees within firms and induce non-unionized firms to copy such settlements (p. 202). Based on chapter 24 by Heidi Shierholz, unionized workers are less likely to experience wage theft and not being paid overtime rates (pp. 227-230). Finally, based on chapter 12 by Christian Dustmann, strong union representation ameliorates job losses, as it incentivizes firms to retrain workers (pp. 117, 121). Thus, combating inequality also requires supporting unions especially in the service and care industry where workers earn low wages and face variable work hours.

Revisiting policies on superstar firms: Based on chapter 17 by Daron Acemoglu, favourable tax treatment of excessive automation should be rolled back, as the business models of the superstar firms like Facebook, Amazon, Microsoft, Google, and Netflix do not address the labour displacement effect of automation (pp. 166, 168). Similarly, based on chapter 18 by Philippe Aghion, competition policy for incumbent superstar firms needs to be rethought, as they can lobby to prevent innovators from entering the market (pp. 173-176). Finally, based on chapter 19 by Laura Tyson, payroll taxes should be reduced and corporate taxes increased to temper the bias on labour saving investments and R&D credits should be revisited, as large companies that shelter away income instead of creating good jobs (pp. 179-180). Thus, combating inequality necessitates revisiting policies on superstar firms that exercise market power, shelter away income, and automate excessively instead of creating good jobs.

To recapitulate, instructors can facilitate class discussions by assigning various chapters from Blanchard and Rodrik (2021) to different student groups that can contrast various policies to combat inequality. Alternatively, they can assign book reviews for presentation projects and ask other student groups to offer peer review. The time commitment in both cases would be relatively higher than facilitating class discussions based on video clips, as instructors would have to become familiar with the books themselves, but then this much is expected to cater for advanced student cohorts. Overall, lesson plans based on comparing policies to combat inequality, which is absent in the various textbook options reviewed in Section 2, would better elicit student interest and participation.

6. Concluding remarks

The objective in the paper is to offer a note on teaching economic inequality to economics students, as the topic is not effectively addressed in principles level classes. This note is motivated by rising inequality during the COVID pandemic and by calls from student groups in the aftermath of the financial crisis to address contemporary issues beyond stylized mathematical models. Three textbook options were reviewed to showcase that while they delve into measurement issues and technical details, they do not provide a comparative look on policies to combat inequality. Moreover, the CORE textbook that has been promoted as an alternative to standard textbooks is fraught with information overload and advanced concepts. Likewise, the academic literature was briefly reviewed to emphasize that despite data issues and variability in estimation methods that preclude a clear position, the preponderant academic position is shifting towards seriously addressing and combating economic inequality. Thus, lesson plans based on three video clips and the edited collection by Blanchard and Rodrik (2021) were showcased to broach economic inequality for introductory and advanced student cohorts respectively. The use of video clips and active class participation follows the trend against the chalk and talk method that has been the traditional mode of economics pedagogy. Finally, the use of Disney animation clips sustains student interest, retention, and participation more effectively, as students connect with childhood memories. Overall, this note highlights the significance of addressing economic inequality at the principles level (or at a higher level) instead of relegating the topic to the back of the textbook chapters and as a pressing issue to be addressed instead of treating it as an afterthought.

References

Acchiardo, C.J., Al-Bahrani, A., Holder. K., and Mateer, D. (2017) 'Through the Lens of Life: Teaching Principles of Economics with Humans of New York', Journal *of Economics and Finance Education,* 16(2): 19-30.

Al-Bahrani, A., Holder, K., Patel, D., and Wooten, J. (2016) 'Art of Econ: Incorporating the Arts through Active Learning Assignments in Principles Courses', Journal *of Economics and Finance Education,* 15(2): 1-16.

Alvaredo, F., Atkinson, A.B., Piketty, T. and Saez, E. (2013) "The Top 1% in international and historical perspective," *Journal of Economic Perspectives*, 27(3): 3-20.

Clausing, K., Saez, E. and Zucman, G. (2021) "Ending corporate tax avoidance and tax competition: A plan to collect the tax deficit of multinationals," UCLA School of Law, Law-Econ Research paper No 20-12.

Becker, W. and Watts, M. (1996) "Chalk and Talk: A National Survey on Teaching Undergraduate Economics." *American Economic Review,* 86(2): 448-453.

Bowles, S. and Carlin, W. (2020) "What students learn in Economics 101: Time for a change, *Journal of Economic Literature,"* 58(1): 176-214.

Blanchard, O. and Rodrik, D. (2021). *Combating Inequality*. Cambridge: The MIT Press.

CORE. The Economy. "Unit 19: Economic Inequality." https://www.core-econ.org/the-economy/book/text/19.html (Accessed: December 1, 2022)

Dahlby, B. and Ferede, E. (2013) "Income inequality, redistribution and economic growth," SPP Research Papers, University of Calgary, 6:25.

Diamond, P. and Saez, E. (2011) "The case for a progressive tax: From basic research to policy recommendations," *Journal of Economic Perspectives*, 25(4): 165-90.

Earle, J., Moran, C., and Ward-Perkins, Z. (2017) *The Econocracy*, Manchester: Manchester University Press.

Grisold, A., and Theine, H. (2020) "Now what exactly is the problem?" Media coverage of economics inequalities and redistribution policies: The Piketty Case," *Journal of Economic Issues*, 54(4): 1071-1094.

Jahangir, J. (2022a) "Introducing Future Studies to ECON 101 students," *Challenge,* 65(1-2): 59-75.

Jahangir, J. (2022b) "Teaching Climate Change to ECON 101 students," *Journal for Economic Educators,* 22(2): 1-15

Knudsen, K. and Duncan, T.K. (2018) 'Using Disney as a pedagogical approach', SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3279043 (Accessed: December 1, 2022)

Mandzik, A. (2022) 'Once upon an economics course: using fairy tales to teach economics', *Journal of Economics Teaching*, 7(3): 147-161.

Mdingi, K. and Ho, S-Y. (2021) "Literature review on income inequality and economic growth." *MethodsX*, Vol. 8, Article 101402.

Mankiw, N.G., Kneebone, R.D., and McKenzie, K.J. 2020a. *Principles of Microeconomics*. 8th Canadian Edition. Nelson Canada.

Naidu, S., Sethi, R., and Thomas, S. "CORE Insights – A World of Differences: An Introduction to Inequality." https://www.core-econ.org/insights/a-world-of-differences/text/01.html (Accessed: December 1, 2022)

Neves, P.C., Afonso, O., and Silva, S.T. (2016) "A Meta-Analytic Reassessment of the Effects of Inequality on Growth." *World Development*, 78(C): 386-400.

Osberg, L. (2018) *The Age of Increasing Inequality,* Toronto: Lorimer.

Piketty, T. (2022) *A Brief History of Equality*, Cambridge: Belknap Press.

Ragan, C.T.S. (2020) *Microeconomics*, 16th ed., Canadian Edition, Pearson Canada.

Rathee, D. (2021). "What if nepotism tax exists?" Dhruv Rathee YouTube channel. Nov 22. https://www.youtube.com/watch?v=dlmg5jNV8Hg (Accessed: December 1, 2022)

Saez, E. (2005) "Top incomes in the United States and Canada over the twentieth century," *Journal of the European Economic Association*, 3(2-3): 402-411.

Saez, Emmanuel, and Gabriel Zucman. (2019) "How Would a Progressive Wealth Tax Work? Evidence from the Economics Literature." University of California at Berkeley. Mimeo. February. http://gabriel-zucman.eu/files/saez-zucman-wealthtaxobjections.pdf (Accessed: December 1, 2022)

Tencer, D. (2021) "Canada's richest 44 people add $63.5b in wealth as 20% of low-income jobs vanish," *Huffington Post*, January 27.

The Princess and the Frog. "Tiana's Place", https://www.youtube.com/watch?v=ySmprrDXutw (Accessed: December 1, 2022)

The Princess and the Frog. "Diner Scene", https://www.youtube.com/watch?v=pUk4qEKOz-w (Accessed: December 1, 2022)

Veall, M. R. (2012) "Top income shares in Canada: recent trends and policy implications," *Canadian Journal of Economics*, 45(4): 1247-1272.

Author contact: junaid@ualberta.ca

SUGGESTED CITATION:
Junaid B. Jahangir, "A Note on Teaching Economic Inequality", *real-world economics review*, issue no. 104, 3 July 2023, pp. 75–89, http://www.paecon.net/PAEReview/issue104/Jahangir

You may post and read comments on this paper at http://rwer.wordpress.com/comments-on-rwer-issue-no-104/