SCHOOL OF POLITICS AND INTERNATIONAL RELATIONS

POL20180

Capitalism and Democracy

The Politics of Inequality

Lecturer
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Course Timetable
Lectures will be held from 4-5pm on Mondays and 2-3pm on Wednesdays

Description
Why are some countries rich, and some countries poor? Why are some countries more unequal than others? What explains the rise of Trump, the populist far-right, and the Brexit vote? What are the political consequences of the euro crisis? To what extent is socio-economic inequality shaping electoral politics today? This module introduces students to the politics of economic inequality in advanced capitalist societies, through a detailed study of income and wealth inequality from the 19th century to the present. First, we trace the changing structure of capital and wealth over time. Second, we examine the precise distribution of income and wealth amongst the population. Third, we inquire into the underlying politics that shapes the cross-national variation in socio-economic outcomes. Throughout the module I will make reference to contemporary events, and link these back to what we’re studying. Running themes include the dynamics of globalisation, technological change, the problem-solving effectiveness of democracy, the changing dynamics of social class, the influence of business power over politics, nationalism and the consequences of the global financial crisis.

Intended learning outcomes
Each lecture is constructed around a core reading, which you must complete before coming to class. All lectures are participatory with each student expected to contribute toward end-of-class discussions. It is both conceptual and empirical. Large datasets and individual case studies will be used. The core textbook is Thomas Piketty’s ‘Capital in the 21st Century’. You are advised to purchase this book and to start reading it as soon as possible. All of the data/tables and graphs from the book can be downloaded here:
Learning outcomes for the module include the enhancement of your research, professional and personal skills. The course will improve your capacity for:

- Critical thinking
- Problem solving
- Communication
- Application of numeracy skills
- Dataset awareness
- Conceptual rigor
- Analytic argumentation
- Comparative case study knowledge

**Assessment**
All students are expected to actively participate in each lecture and to make informed contributions to discussion of the assigned readings.

Mid-term blog post/participation (40%)
End of term paper/take home exam (60%)

**Readings**
Readings will be drawn from a wide range of books and journals. All required readings must be completed before the lecture for which they are assigned. Journal articles are accessible online through the UCD library’s e-journals catalogue. Other readings are available on designated websites or the module’s Blackboard site. If you do not read you will not learn.

**Disability Support Services**
Students whose disabilities, medical conditions or learning difficulties (such as dyslexia) have been recognized and documented by UCD’s Disability Support Services and who expect that their disability will affect the conditions of their assessment in this course are encouraged to contact Dr. Regan as soon as possible. Others who suspect that they may have such a disability are encouraged to contact the DSS office as soon as possible. For more information, see [http://www.ucd.ie/disability/index.html](http://www.ucd.ie/disability/index.html).

**Academic Standards**
(1) The School’s policy on standard academic practice (i.e., avoiding plagiarism) will be strictly enforced. A copy of the policy is available on the module’s Blackboard site.
(2) All written work submitted for this module should also conform to Harvard style (see guide on UCD Library website) for citations.
Books

**Required**

**Recommended**


Articles:


Thewissen, S., 2013. Is it the income distribution or redistribution that affects growth?. *Socio-Economic Review*, p.mwt019.


**Recommended Journal**


**Recommended News Source**

The Financial Times ([www.ft.com](http://www.ft.com))

**Data**

All of the data we will use in the module can be directly downloaded at the World Inequality database: [https://wid.world/](https://wid.world/)


**Twitter Hashtag**

#CapitalUCD

**Facebook Discussion Page**

[https://www.facebook.com/groups/1888257971221729/](https://www.facebook.com/groups/1888257971221729/)

Note: All page numbers for Capital in the 21st Century (C21) are for the softback copy, as sold in UCD’s campus bookstore.
**Week 1: Capitalism and Democracy**

**Q)** If there are more poor people than rich people, why don’t the poor soak the rich?

One core question permeates political economy scholarship: how is it possible to combine an economic regime of capitalism (free competitive markets) with a political regime of democracy (collective choice)? One produces stark inequalities in the distribution of income and wealth, whilst the other (the democratic state), in principle, is based on egalitarianism (one person, one vote). So why don’t the poor soak the rich? There are a lot more poor people than rich people, so why don’t they use their voting power to redistribute economic resources?

As we will see throughout this course, understanding the relationship between states and markets, under democratic rules, is anything but straightforward. A sizeable middle class can act as a buffer against radical demands for redistribution. Choices in the past create a path dependent effect, and the electorate don’t just vote in their economic interest. The dynamic tension of the relationship between states and markets, politics and power, is the underlying theme of our course. However, it is empirical in focus, so we will not discuss these things without concrete reference to the facts, particularly as they pertain to income and wealth.

**Required reading:** Varieties of Top Incomes: [https://doi.org/10.1093/ser/mwy036](https://doi.org/10.1093/ser/mwy036)

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**Week 2: How to Measure Income and Wealth**

**Q)** What is economic growth? What is the difference between income and wealth? Why is wealth always more unequally distributed than income?

Before we discuss the determinants of inequality, and the different theories of political economy that explain capitalist development, it is important that we clarify some important political economy concepts, such as economic growth, income, wealth, the capital-income ratio, and the inequalities that arise from the unequal distribution of income and wealth. These concepts underpin the indicators we use throughout the course, and heavily influence the type of measurements and inferences we draw from the data, so it is crucial that you study them!

**Required reading:** C21, pp 49-141

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**Week 3: Classical and Critical Political Economy**

**Q)** What are the main theoretical frameworks to explain the politics of capitalist development? Why are some nations poor, and some nations rich?

We will discuss the history of economic ideas with reference to classical and critical political economy, and relate these ideas to contemporary debates on the politics of inequality. We will also engage the scholarly debates that try to explain the causal factors behind rising income inequalities within advanced market economies: technology versus political power.
**Week 4: The Rise of Democratic Capitalism**

**Q)** *What explains the structural transformation of capitalism throughout the 19th and 20th century? What was the impact of the war on capitalist development in Europe, and slavery in the USA? What gave birth to democratic capitalism after the war?*

We will examine the causal factors behind the *rise and fall* of capitalism in Europe from the 19th to the 20th century, as measured by the capital/income ratio. We will examine the development of various forms of wealth (buildings, housing, stocks, bonds, patents, firms) and compare the *structural transformation* of capital in Europe to the USA, whilst examining the underlying politics of this transformation (from an aristocratic elite to democracy). We will discuss the impact of two world wars, and why and how this gave rise to new economic ideas about how to combine and integrate market economies with liberal democracies.

**Required reading:** C21, pp 141-204

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**Week 5: The Return of Neoliberal Capitalism**

**Q)** *What explains the structural transformation of capitalism throughout the 21st Century? What was the impact of the conservative revolutions? Why did governments pursue public policies aimed at liberalising global markets? How did this change the relationship between states and markets? Voters and parties?*

We will examine the transformation of capitalism in the 21st century, and the importance of globalization and financialisation in this process. We will inquire why the capital-income ratio has increased to new historic highs, whilst examining the importance of the price effect of housing in shaping these dynamics. We will ask whether capital income has become more important than labour income in shaping the dynamics of economic inequality today, and inquire into the role of technology, and changing labour markets. Given the changing dynamics of liberal market capitalism, we will ask whether there is a new and growing tension emerging between private property market rights, and social democratic rights?

**Required reading:** C21, pp 204-297
Week 6: Income Inequality in Europe and the USA

Q) What is the actual distribution of income in Europe and the USA? If we divide up national income in a country, how much goes to the bottom 50%, the middle 40%, and the top 10%? Within the top 10%, how much goes to the top 1%?

At this stage of the course we will bring to an end our inquiry into the structural transformation of capital and wealth, and how it has evolved since the 19th century. We will now start to study the inequality of labour and capital income. This is the inequality that arises from the unequal distribution of labour income (wages, salaries) and capital income (income that accrues to the owners of property, such as rent or dividends). In week 6, we will describe and study the precise distribution of income, particularly top incomes.

Required reading: C21, pp 297-424

Week 7: Explaining the Rise of Income Inequality

Q) How do we explain the rise of top incomes? Why is the top 1% taking so much of the share of national income, whereas the amount going to the bottom is stagnating? Is the rise of top incomes the result of merit? Is it an outcome of apolitical technological forces, or active political public policy choices?

This week will move beyond describing the precise distribution of income inequality at the individual and household level, and engage those theoretical debates that seek to explain rising why income inequality is rising within western capitalist economies. We discuss how income inequality is declining between countries, but rising within countries.


Week 8: Wealth Inequality in Europe and the USA

Q) What is the actual distribution of wealth in Europe and the USA? How much property-wealth do the bottom 50%, middle 40%, top 10%, and top 1% actually own? Why is wealth so much more unequally distributed than income?

This week we will describe the precise distribution of wealth and capital among the population. Capital and wealth are forms of property that generate capital income. We will note that since the 19th century, the bottom 50% of the population have generally never owned
any form of wealth or property, and that the democratic revolutions of the 20th century gave rise to a property owning middle class (the middle 40%). We will also note that during the 21st century wealth has become increasingly concentrated amongst the top decile and centile.

Required reading: C21, pp 424-544

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**Week 9: Explaining the Rise in Wealth Inequality**

**Q)** *What explains the extreme level of wealth inequality that we observe today? Is it mainly related to housing or business-financial assets? Has anything really changed? Is it related to political policy choices? Or is it related to impersonal market forces?*

This week we will try to explain why wealth is so concentrated, and whether this is a function of the changing nature of technology, and the role of monopolisation. We will note that housing prices increasingly play an important role in shaping the dynamics of wealth distribution amongst the bottom 90% of the population, but that real wealth, and real fortunes are bound up in business-finance assets. We will also discuss the growing importance of inheritance in shaping wealth inequality, and whether this is leading to a rentier society.

Required reading: C21, pp 424-544, and the Enduring Importance of Family Wealth: [https://www.econstor.eu/handle/10419/125443](https://www.econstor.eu/handle/10419/125443)

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**Week 10: Comparative Politics and Varieties of Capitalism**

**Q)** *What explains the cross-national variation in income and wealth inequality? Why is Europe less unequal than the USA? Why is Scandinavia more equal than the rest? Are all countries converging toward the same level of inequality, or diverging?*

This week we will discuss the cross-national variation in levels of income inequality between countries in the advanced market economies of the world. We will identify distinct “national varieties of capitalism” that gives rise to very different socio-economic outcomes. We will examine those countries that secure high levels of economic growth with lower levels of economic equality. Central to this cross-national variation is fiscal policy, and the social state.

Required reading: C21, 544-663, and Varieties of Capitalism in Light of the Euro Crisis: [https://doi.org/10.1080/13501763.2017.1310278](https://doi.org/10.1080/13501763.2017.1310278)
Week 11: Explaining National Varieties of Capitalism

Q) What are the political and institutional underpinnings of national varieties of capitalism? Can a country change its model of capitalism? If there is no such thing as “one market” then why do policymakers always assume there is?

This week we will discuss the electoral and political underpinnings of distinct national varieties of capitalism in Europe. We will examine the changing nature of social class, labour market change, social liberalisation, and occupational structure, and the extent to which these socio-structural changes are shaping the dynamics of party politics in Europe.


Week 12: The Global Financial Crisis

Q) Does an increasing concentration of wealth and income undermine the meritocratic basis of liberal market democracy? Has the global financial crisis exacerbated these inequalities, and in turn, created the conditions for rising populist nationalism?

In this final week, we will ask whether the global financial crisis, and the socio-political response to this, has created the conditions for rising populist nationalist politics. We will also revise some key concepts, and discuss the final term paper.

Other DATA sources:

Eurostat provides detailed information on European countries in the follow areas: economy and finance; population and social conditions; industry, trade and services; agriculture and fisheries; external trade; transport; environment and energy; science and technology. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes

The European Central Bank (ECB) statistical portal provides data relevant to Eurozone monetary policy, financial stability and other central bank activities. Aggregate series are based on observations from national central banks, credit institutions and other international sources: http://sdw.ecb.int/

The Euro Barometer Survey consist of approximately 1,000 face-to-face interviews per EU member state, covering social conditions, health, culture, the economy, citizenship, security, information technology, the environment, the Euro and European Union enlargement. http://www.gesis.org/eurobarometer/data-access/

The EUDO Data Centre (EUI) provides data on European public opinion, political elites and the media; political parties and representation; institutional change and reform, and citizenship http://www.eui.eu/Projects/EUDO/EUDODataCentre.aspx
The **European Social Survey** covers social and public trust; political interest and participation; socio-political orientations; governance; media use; moral, political and social values; social exclusion; national, ethnic and religious allegiances; well-being, health and security, and; demographics and socio-economic topics [http://www.europeansocialsurvey.org/](http://www.europeansocialsurvey.org/)

The **European Labour Force Statistics** is a household sample survey conducted across the EU and three EFTA countries, providing quarterly results on labour participation. Data ranges from 1983, depending on member state accession and other availability factors. Surveys are conducted by European national statistical agencies and collated by Eurostat. [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database)

**EU-SILC** is a cross-sectional and longitudinal multi-dimensional micro data set on income, poverty, social exclusion and living conditions in the European Union. Surveys are conducted by European national statistical agencies and collated by Eurostat. [http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc](http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc)