**LESSON PLANS FOR 4/11/17 and 4/18/17 ECONOMICS GUEST LECTURES**

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**Understanding Economic Inequality**

11 April 2017

1. Elements of the Lesson [TOTAL TIME: 75 minutes]
	1. **12:00** Students silently read handout A (“U.S. Inequality Keeps Getting Uglier,” Heather Long, CNN Money, 12/22/17; 10 minutes, beginning promptly at noon).
	2. **12:10** Interactive instructor-led discussion of reading (10 minutes)
	3. Distribute handout B
	4. **12:20** Mini-lecture I (10 minutes)
		1. Gini coefficients: measuring income inequality
		2. Sources of income inequality in the United States
			1. Pay Differentials (CEO to worker pay ratio)
			2. Distribution of household wealth
	5. **12:30** Interactive discussion (10 minutes)
	6. **12:40** Mini-lecture II (15 minutes)
		1. US union membership and income inequality
		2. Piketty’s *Capital in the Twenty-First Century*
		3. Creating an economy that works for everyone
	7. **12:55** Interactive discussion (20 minutes)

**Creating an Egalitarian Economy**

18 April 2017

INTERACTIVE MINI LECTURES

**#1 Producer Cooperatives** (12:10 PM – 12:35 PM, after 10 minutes of silent reading of Reading #1)

* Why are labor managed firms (LMFs) rare? Gregory K. Dow (*Governing the Firm: Worker Control in Theory and in Practice,* Cambridge University Press, 2003) reviews the relevant research literature and concludes that
	+ LMFs are equally or more efficient than capital managed firms (KMFs)
	+ LMFs lack adequate access to capital because rational investors believe that LMFs will place the worker’s interests above their own.
	+ Given their efficiency, the relative rarity of LMFs constitute a kind of market failure. (Review the concept of market failure.)
* Market failures can frequently be ameliorated by government intervention. Peter Ranis notes in *Cooperatives Confront Capitalism: Challenging the Neoliberal Economy* (Zed Books, 2016):
	+ States under capitalism generally enact policies more favorable to KMFs than to LMFs (e.g. much more money in tax subsidies is given to the former)
	+ Where state policies favor LMFs, they generally prosper.
		- Mondragon in Spain benefitted from favorable policies from the 1930s to the 1990s.
		- Buenos Aires’ Municipal Council and other cities in Argentina supported co-op formation since the year 2000.
		- In 2011, Cuba enacted laws and policies supporting the creation of worker cooperatives.
		- The City of Cleveland and some hospitals and universities in the city purchase goods and services from worker cooperatives, providing stable demand for their products and stable local employment.

**#2 Ending Global Poverty** (1:00 PM – 1:15 PM, after 15 minutes of silent reading of Reading #2)

* Before the students read Reading #2, to motivate interest in the topic we will look at the “Median Income by Country” table on the last page of the handout and discuss it for 10 minutes.
	+ Discuss the difference between median and per capita income and why the former provides a more accurate picture of the typical person’s income in various countries.
	+ Ask for students’ theories about why median income might vary so much from country to country. Does it have something to do with government policies? What features of the international economic system could contribute to income inequality across countries?
* After the reading, review key ideas contained in the reading regarding the causes of global poverty.
	+ Countries get rich by exporting more than they import.
	+ Countries that are rich today enacted trade barriers on imported manufactures in order to enable their domestic manufacturing industries to develop.
		- Britain banned the import of textiles from India in the 18th century, enabling the British textile industry to develop.
		- The United States enacted high tariffs on British manufactures during the 19th century, enabling American industry to develop
	+ Developing countries today, like Britain and the US in the past, need trade barriers to protect developing industries.
		- However, the developed countries oppose such a trade regime through the IMF, the World Trade Organization, and through other means.
		- The developed countries also violate their professed commitment to free trade by maintaining agricultural subsidies, which function as trade barriers to agricultural imports from developing countries.
		- A trade regime that abolished developed countries’ agricultural subsidies and enabled developing countries to enact tariffs on foreign manufactures would enable poor countries to develop more rapidly and thereby reduce the gap in median income between rich and poor countries.