

Seminar: Capital, finance and justice

Type: Blockseminar

Number: 50176

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Participants: P&E Bachelor, P&E Master, BA IWB, BA Economics, MA IWB, MA Economics

Lecturers: Marco Meyer, Carsten Jung

Dates: 11-13 May 2018

Start-time: 11 May, 12.00 s.t.

Overview Deadlines & ToDos

Deadline for applying to give a presentation: 15 April

There are three short presentations to be allocated, details below

Deadline for submitting reading questions: 6 May

Seminar Description

What is capital and income, and how have they evolved over time? How unequally are they distributed? And what are the moral implications of this? To answer these questions, in this seminar, we will study Thomas Piketty's 'Capital in the 21st Century' and will put it into the context of the modern financial system. We will consider Piketty's evidence which shows that ownership of capital and income is increasingly concentrated and his theory explaining why this is happening. And we will consider prominent criticisms of Piketty's arguments. We assess the moral implications of these developments in the light of current theories of distributive justice. In particular, we will discuss the normative underpinnings of Piketty's critique of income and wealth inequality. Finally, we will study what policies could be considered to bring about a more just outcome. Throughout the seminar we will put an emphasis on students working with data first hand.

Lecturers

Marco Meyer

Marco has a PhD in philosophy from the University of Cambridge and is currently reading for a PhD in economics at the University of Groningen. He received a Master's degree in philosophy from Oxford University, a BA degree in Philosophy & Economics from Bayreuth university, and a BA in European History from Bayreuth University. His research interests include financial ethics, applied epistemology and global justice. He has taught students at the universities of Oxford and Cambridge, and has given seminars on philosophy and economics.

Carsten Jung

Carsten is an economist at the Bank of England's International Directorate. He currently works on policy issues concerning the global financial vulnerabilities and systemic risks from climate change. He holds a BA in Philosophy & Economics from Bayreuth, an MSc in Economics from

Warwick University and an MSc in Economic Sociology from LSE. He was also a Carlo-Schmid intern at the International Monetary Fund.

Learning Goals

- Gain a deep understanding of Piketty's argument of how inequality has evolved in the past and how it might evolve in the future.
- Understand the normative underpinnings relating to Piketty's argument.
- Critically assess the predictions made by Piketty and develop policy proposals how they can be avoided.

Agenda

Friday: Key concepts and data

12.00 (we start s.t.)	Welcome , Expectations, Intro to Seminar Topics
13.00	What is inequality and why does it matter?
14.30	What are capital, finance, and income? How have they evolved over time?
16:15	How are wealth and income distributed? How has inequality evolved over time?
18.00	End

Saturday: Explanations

09.00 (we start s.t.)	Will inequality increase? What are the mechanisms? Part 1
11.15	Will inequality increase? What are the mechanisms? Part 2 -
12.45	Lunch
14.00	What can institutions do about inequality?
16.00	Piketty and his critics
18.00	End
19.00	Optional: Dinner at Oscar's

Sunday: The way forward

09.00 (we start s.t.)	How to address inequality?
10.45	Policy project work - how to address inequality?
12.15	Lunch
13.00	Policy presentations
15.00	Feedback
16.00	End

Reading List

Session 1: What is inequality and why does it matter?

Required reading:

- * O'Neill, Martin. 2008. 'What Should Egalitarians Believe?' *Philosophy & Public Affairs* 36 (2):119–56. -- only up to page 140

Further Reading:

- Piketty, Thomas. 'Putting Distribution Back at the Center of Economics: Reflections on Capital in the Twenty-First Century'. *Journal of Economic Perspectives* 29, no. 1 (2015): 67–88.
- Scanlon, T. M. *Why Does Inequality Matter?* Uehiro Series in Practical Ethics. Oxford, New York: Oxford University Press, 2018.
- Brettschneider, Corey. 'Public Justification and the Right to Private Property: Welfare Rights as Compensation for Exclusion'. *Law and Ethics of Human Rights* 6, no. 1 (2012): 119–146.
- Cavallero, Eric. 'Coercion, Inequality and the International Property Regime*'. *Journal of Political Philosophy* 18, no. 1 (1 March 2010): 16–31.
- O'Neill, Martin. 'Liberty, Equality and Property-Owning Democracy'. *Journal of Social Philosophy* 40, no. 3 (2009): 379–96.
- Pettit, Philip. 'Freedom in the Market'. *Politics, Philosophy & Economics* 5, no. 2 (1 June 2006): 131–49.

- Tomasi, John. *Free Market Fairness*. Reprint edition. Princeton University Press, 2013.

Session 2: What are capital, finance, and income? How have they evolved over time?

Required:

- * Piketty Chapter 1: Income and output (only 39-55)
- * Piketty Chapter 5: Capital/Income over the long run (only 164-180)
- * Piketty Chapter 6: Capital and Income ratio (only 199-203 & 227-230)

Further reading:

- Piketty Chapter 3: the Metamorphosis of Capital
- Azar (2017): Portfolio diversification, market power and the theory of the firm
- Hodgson, Geoffrey M. *Conceptualizing Capitalism: Institutions, Evolution, Future*. University of Chicago Press, 2015.

Session 3: How are wealth and income distributed? How has inequality evolved over time?

Required:

- * Piketty, Chapter 7: Inequality and concentration (only pp. 237-265)
- * Piketty Chapter 8: Two worlds (full chapter)
- * Milanovic, Branko. *Global Inequality: A New Approach for the Age of Globalization*. Harvard University Press, 2016, Chapter 1

Further reading:

- Piketty, Chapter 12: Global Inequality of Wealth in the 21st Century

Session 4: Will inequality increase? What are the mechanisms?

Required:

- * Piketty Chapter 10 (Inequality of capital ownership) (only pp. 350-358 & 372-376)
- * Piketty Chapter 11 (merit and inheritance in the long run) (only pp. 401-414)
- * Offer, Avner. 'The Market Turn: From Social Democracy to Market Liberalism'. *The Economic History Review* 70, no. 4 (November 2017): 1051–71.

Further reading:

- Piketty Chapter 12: Global inequality of wealth in the 21st century
- Dietsch, Peter. 'The Market, Competition, and Equality'. *Politics, Philosophy & Economics* 9, no. 2 (1 May 2010): 213–44.
- Epstein, Gerald A. *Financialization and the World Economy*. Cheltenham: Edward Elgar Publishing Ltd, 2006.

- Lin, Ken-Hou, and Donald Tomaskovic-Devey. 'Financialization and U.S. Income Inequality, 1970–2008'. *American Journal of Sociology* 118, no. 5 (2013): 1284–1329.
- Stockhammer, Engelbert. 'Financialization, Income Distribution and the Crisis'. *Financial Crisis, Labour Markets and Institutions*, New York, Routledge, 2013, 98–119.

Session 5: What can institutions do about inequality?

Required:

- * Piketty, Chapter 10 (Inequality of Capital Ownership, only pp. 364-376)

Further reading:

- Scheidel, Walter (2017): The Great Leveler, chapter 4: 'Total War'
- Piketty, chapter 14
- IMF 2017 WEO - Chapter 2 on the falling labour share
- De Loecker & Eckhout (2017): The rise of market power and its macroeconomic implications
- Acemoglu, Daron, and James A. Robinson. 2015. 'The Rise and Decline of General Laws of Capitalism'. *Journal of Economic Perspectives* 29 (1):3–28.
- Dietsch, Peter. *Catching Capital: The Ethics of Tax Competition*. Oxford University Press, 2015, Introduction.
- 'Straight Talk on Trade: Ideas for a Sane World Economy (2017)'. Oxford University Press, Chapter 1.
- Murphy, Liam, and Thomas Nagel. 2002. *The Myth of Ownership: Taxes and Justice*. Oxford University Press.
- Agnello, Luca, and Ricardo M. Sousa. 'How Do Banking Crises Impact on Income Inequality?' *Applied Economics Letters* 19, no. 15 (1 October 2012): 1425–29.
- Atkinson, A. B. 'Factor Shares: The Principal Problem of Political Economy?' *Oxford Review of Economic Policy* 25, no. 1 (1 March 2009): 3–16.
- Beck, Thorsten, Asli Demirgüç-Kunt, and Ross Levine. 'Finance, Inequality and the Poor'. *Journal of Economic Growth* 12, no. 1 (6 March 2007): 27–49.
- Claessens, Stijn, and Enrico Perotti. 'Finance and Inequality: Channels and Evidence'. *Journal of Comparative Economics* 35, no. 4 (December 2007): 748–73.
- Mookherjee, Dilip, and Debraj Ray. 'Persistent Inequality'. *The Review of Economic Studies* 70, no. 2 (1 April 2003): 369–93.
- Turner, Adair. *Between Debt and the Devil: Money, Credit, and Fixing Global Finance*. Princeton: Princeton Univers. Press, 2015.

Session 6: Piketty and his critics

Required:

- * Summers, Lawrence. 2014. 'Thomas Piketty Is Right About the Past and Wrong About the Future'. *The Atlantic*, 16 May 2014.

Further Reading:

- Wollner, Gabriel. 2015. 'Review of Capital in the Twenty-First Century'. *Economics and Philosophy* 31 (2):327–334.
- O'Neill, Martin. 2017. 'Survey Article: Philosophy and Public Policy after Piketty'. *Journal of Political Philosophy* 25 (3):343–75.

Sessions 7: How to address inequality?

Required Reading

- * Piketty, Chapter 15 (only pp. 515-521)
- * Williamson, Thad. 'Realizing Property-Owning Democracy: A 20-Year Strategy to Create an Egalitarian Distribution of Assets in the United States'. In *Property-Owning Democracy: Rawls and Beyond*, edited by Martin O'Neill and Thad Williamson, 225–48. John Wiley & Sons, 2012.

Further Reading

- Piketty, Chapter 13: A Social State for the 21st Century
- O'Neill, Martin, and Thad Williamson. 2012. *Property-Owning Democracy: Rawls and Beyond*. John Wiley & Sons.
- Thomas, Alan. *Republic of Equals: Predistribution and Property-Owning Democracy*. Oxford Political Philosophy. Oxford, New York: Oxford University Press, 2017.
- Anderson, Elizabeth. 'I—Expanding the Egalitarian Toolbox: Equality and Bureaucracy'. *Aristotelian Society Supplementary Volume* 82, no. 1 (1 June 2008): 139–60.
- O'Neill, Martin. 'Three Rawlsian Routes Towards Economic Democracy'. *Revue de Philosophie Économique* 9, no. 1 (2008): 29–55.
- Parijs, Philippe Van, and Yannick Vanderborght. *Basic Income: A Radical Proposal for a Free Society and a Sane Economy*. Harvard University Press, 2017.
- Shiller, Robert J. 'Macro Markets: Creating Institutions for Managing Society's Largest Economic Risks'. OUP Catalogue. Oxford University Press, 1998.
- White, Stuart. 'Basic Capital in the Egalitarian Toolkit?' *Journal of Applied Philosophy* 32, no. 4 (1 November 2015): 417–31.

- Ackerman, Bruce, Anne Alstott, and Philippe Van Parijs. 2006. *Redesigning Distribution. Basic Income and Stakeholder Grants as Cornerstones for an Egalitarian Capitalism.*, pp. 4-39

Reading Questions

Session 1: To what extent is what is bad about inequality according to O'Neill captured by Piketty's measures of income and wealth inequality?

Session 2: Chose a country from the World Wealth and Income Database ("Country graphs"), plot a chart (in excel or other program) how the capital/income ratio has evolved. Based on your reading of Piketty, speculate what it must have felt like to live in this society, over time.

Website: <http://wid.world>

Session 3: Pick a country from the world wealth and income database (for which both wealth and income inequality data is available). Plot and describe (a) how unequal capital and income are distributed today and (b) how the distribution has changed over time.

Website: <http://wid.world/>

Session 4: Why does Piketty think, given the status quo, that inequality will rise? Show this using some calculations in Excel or google sheets, where you plot, using hypothetical values, the evolution of inequality using different values for r and g . Describe in your own words your conclusions.

Session 5: What scope does Piketty see for institutions to mitigate inequality?

Session 6: What, according to Summers, are the economic forces that could mean that inequality will not rise in line with the mechanisms described by Piketty? Why is he optimistic about what policy can do?

Session 7: What would be a good policy to reduce inequality in Germany?

Assessment

Attendance-only "Schein" (PE: 2 ECTS): You need to (1) do the readings, (2) do the problem set, (3) participate actively in the seminar

Essay "Schein" (PE: 6/8 ECTS): You need to (1) do the readings, (2) do the problem set, (3) write an essay (4.000-5.000 words). If you give a presentation, this will feed into your grade as well.

General Readings & Reading Questions

- All readings in this section are required readings. In addition, there are two required readings associated with your workshop of choice
- There will be very few presentations in the seminar, and there won't be presentations to recap readings
- Some of the readings are difficult. Rather than giving you watered-down readings, we want to encourage you to develop a reading skill that will become very handy in your academic life: extracting relevant information and arguments from very difficult texts. Always keep the respective reading question in mind while reading, and focus on getting an answer to that question out of the text. Do not despair if there are parts of the readings that you don't understand. Make a note and ask during the seminar.
- Deadline for Submission of Reading Questions: 6 May.
- Reading questions are to be submitted online [here](#).
- You can save the form as draft and continue later. Make sure you note down the URL displayed after you click on save as draft.
- Please answer each question in no more than 100 words

We have crafted reading questions to prepare you for the seminar and give us material to work with during the seminar. Consider answering the reading questions as part of the seminar designed to meet seminar goals, rather than a box-ticking exercise.

Presentations

1 Murphy, Liam. 2014. 'Why Does Inequality Matter: Reflections on the Political Morality of Piketty's Capital Twenty-First Century Symposium on Thomas Piketty's Capital in the Twenty-First Century'. *Tax Law Review* 68:613–30.

2 Acemoglu, Daron, and James A. Robinson. 2015. 'The Rise and Decline of General Laws of Capitalism'. *Journal of Economic Perspectives* 29 (1):3–28.

3 Scheidel, Walter (2017): The Great Leveler, chapter 4: 'Total War' - an account of how Japanese inequality was reduced quickly and drastically in the wake of WWII

For good presentations, we give an essay grading bonus of one grade-step (e.g. from 1.7 to 1.3). Alternatively, presenters can get a discount on essay length. If you would like to do one of the presentations, please send an eMail to Carsten (deadline: 15 April).

General guidelines for presentations:

- Stick to the presentation topic

- Stick to the time limit: 10 min
- A projector will be available
- Presentations should be in English, but don't be intimidated — we'll have an atmosphere which is quite tolerant of less than perfect English; what matters is that you can get your point across.

Essays

Topics: We'll run a short session on possible seminar topics during the Blockseminar, and point out possible seminar topics during the seminar. You are encouraged to come up with your own topics.

General Guidelines

- Between 4,000 and 5,000 words
- English or German
- Before you start writing, look at this essay writing guide:
<http://www.phil.cam.ac.uk/curr-students/IA/curr-students/writing-skills/>
- Re-read and revise before submitting. Ask a friend to read your paper.
- We set a deadline for the essay with students individually to fit their needs.

General Structure

- Define and answer a precise research question (check with us!), give a clear answer to the question which you state in the introduction (your thesis), and use your essay to defend that answer.
- Structure essay according to thesis: No paragraph and indeed no sentence that does not help investigating the thesis belongs in the essay.
- When developing an argument, state premises and conclusion clearly.
 - Make sure the argument is valid
 - Anticipate objections to your premises and discuss in the essay
- When using empirical data, explain and scrutinize it
 - Make sure the data is relevant to your argument and explain how that is
 - Indicate the source
 - Do not only report results, but also show awareness of the methodology used
- Summarize your argument in a brief conclusion

We encourage you to look for additional literature. You are not expected to read everything there is on your topic, however. In depth analysis and development of your own sustained argument matter much more. So, read a few things, but then start writing quickly.