

PPA 730-10: Fundamentals of Policy Analysis

Efficiency and inequality

Income inequality in the 1990s

You have been asked a prominent member of Congress why information about economic inequality appears so subjective. Why is it that, when one political party tells a story about income becoming more unequal, the other party often uses the same data to tell a different story.

Demonstrate to her what's going on by writing a very brief memo that uses the Census historic data on income dispersion (<http://www.census.gov/hhes/income/histinc/ie1.html>) to tell three stories about income inequality in the 1990s.

- A story that makes it look like inequality is getting worse.
- A story that makes it look like inequality is getting better.
- A true story that uses the data appropriately and honestly.

Wage differentials in the U.S. and India

Many experts in international relations see the next great bilateral alliance to be between the United States and India—the world's richest and largest democracies, respectively. This alliance will fuel product and labor market needs for both countries, it is believed, and also perhaps “contain” other countries (e.g. China, Pakistan) that the U.S. and India are worried about, militarily and economically. Social theorists worry about a free exchange of products and resources between the two countries, however. One of the things they frequently talk about is the possibility that greater openness will lead to higher levels of economic inequality in both countries.

You would like to help inform this debate. Consider each phenomenon below, and say how inequality would probably be affected in the U.S. and/or India—or whether you need more information to decide. Explain each of your answers in a sentence or two.

1. Open borders lead to “Brain Drain”: Many highly-skilled Indian scientists move to the U.S.
2. Rising average household incomes in India lead to an expansion of high-tech services, so the number of high-skill jobs increases there.
3. In development, India becomes a more efficient producer of crops, feeding its people and exporting more agricultural products than at present to the rest of Asia.
4. Many of America's low-skill industries also go to India, because of greater ease in bilateral commerce between the nations.
5. Jobless Indians (mostly with low skills) in search of jobs will find it easier to immigrate to the U.S.