CUPCAKES & GRAPHS: TEACHING INEQUALITY

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Graphs Are Great!

But we still need an even greater variety of modalities.

**Interactive Lecture Demonstration**

“Predict/Observe/Explain”

Mark Maier (2012) in International Handbook on Teaching and Learning Economics (Edited by Hoyt & McGoldrick)

See also [https://serc.carleton.edu/econ/demonstrations/index.html](https://serc.carleton.edu/econ/demonstrations/index.html)

Crouch, et al. (2004) finds better retention when students also predict before, then discuss after the demonstration.
United States Inequality

5 Volunteers.

- Line up in a row
- Each student represents one quintile (20 percent) of the population

There are 10 desserts.

- Each represents one tenth of the annual income in the U.S.

How many cupcakes will each of the five individuals get from the poorest 20 percent to the richest 20 percent?

What are your predictions?

https://docs.google.com/forms/d/1E1AUNbrv96xQ3Ct900y74mGZTTD67USqP9x5xj/edit
MEAN HOUSEHOLD INCOME PER QUINTILE

Tips:
Bring a butter knife.
Have pre-packaged treats.
Involve as much audience reaction as possible.

Source: US Census Bureau tables B19081 and B19082 for 2021
HOW DOES REALITY COMPARE TO YOUR INITIAL GUESS?

The top quintile has 50%, while the bottom quintile has less than 5% of income.
Wealth Inequality

Source: Survey of Consumer Finances for 2022. Calculations by Matt Bruenig
Now Return to Your Seats

• Nearly always, the “wealthy” student voluntarily starts handing out or even tossing the surplus cupcakes to their neighbors and fellow students.

• Why did (or did not) you voluntarily redistribute your treats?

• More than they want

• Earned vs Endowed?

• Recognition of Luck

• Other students had none
HOW DOES THIS RELATE TO DOLLARS AND THE RULES OF SOCIETY?
What do you believe causes income inequality?

- Quality of schooling
- Formal & “school of life”
- Choice of occupation
- Choice of savings/investment
  - Work ethic
- Choice of risk (entrepreneurial)
  - Luck of those risks.
  - Luck of birth
- Life cycle (low income while young, higher incomes with experience)

- Does these phenomena have a large enough effect to explain the gap?
- What government policies can or should address these?
Education

**Explain It?**

The average college wage is around **twice** the wage for non-college earners.

**Policy?**

Government spends considerable sums on education.

Maybe more; especially for lower income neighborhood schools.

Source: CPS. Author’s Calculations
What About Work Ethic?

Explain It?
Not a lot of hour variation.
4.4hr/42.2hr=0.10

Policy?
Overtime laws.

https://www.visualcapitalist.com/cp/charted-actual-working-hours-of-different-income-levels/
How Much Can Occupational Choice Explain Inequality?

**Explain It?**

Avg physicians earn 6x as much as the avg cook.

**Policy?**

Better K-12 education, to lower technical skill barriers.

Source: BLS Occupational Outlook Handbook [https://www.bls.gov/ooh/]
The share of the economy’s income going to labor has been declining.

What is capital income?

Everybody has labor, but does everyone have capital equally?

Policy?

Capital redistribution

Lower barriers to capital ownership (housing first-time subsidies)

Always Stay Focused

Students cannot remember all the figures, numbers, details.

Stay focused on the key metric.

In this case:

Top quintile earns **50%** of the income, bottom quintile earns less than **5%**.
THANK YOU!

May your desserts be equitable!