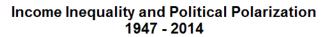
First Examination POLS 4635 The Politics of Income Inequality

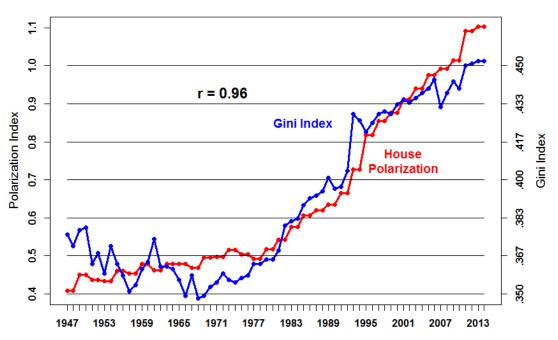
23 September 2016

Professor Poole

PLEASE KEEP YOUR ANSWERS SHORT AND SPECIFIC TO ALL QUESTIONS

1. What does the Gini Index measure and how is it computed?





2. What does this table tell us about income inequality over the past 20 years?

Table 1. Real Income Growth by Groups

	Average Income Real Growth	Top 1% Incomes Real Growth	Bottom 99% Incomes Real Growth	Fraction of total growth (or loss) captured by top 1%	
	(1)	(2)	(3)	(4)	
Full period					
1993-2014	20.6%	80.0%	10.8%	55%	
Clinton Expansion					
1993-2000	31.5%	98.7%	20.3%	45%	
2001 Recession					
2000-2002	-11.7%	-30.8%	-6.5%	57%	
Bush Expansion					
2002-2007	16.1%	61.8%	6.8%	65%	
Great Recession 2007-					
2009	-17.4%	-36.3%	-11.6%	49%	
Recovery					
2009-2014	8.4%	27.1%	4.3%	58%	

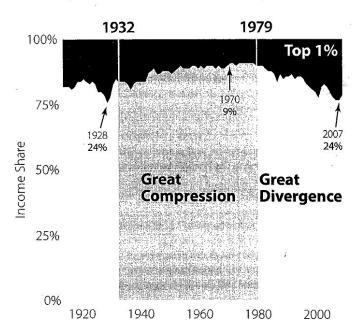
Computations based on family market income including realized capital gains (before individual taxes).

Incomes exclude government transfers (such as unemployment insurance and social security) and non-taxable fringe benefits. Incomes are deflated using the Consumer Price Index.

Column (4) reports the fraction of total real family income growth (or loss) captured by the top 1%. For example, from 2002 to 2007, average real family incomes grew by 16.1% but 65% of that growth accrued to the top 1% while only 35% of that growth accrued to the bottom 99% of US families. Source: Piketty and Saez (2003), series updated to 2014.

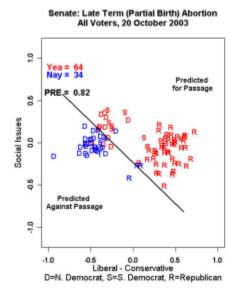
3. Below is a Figure from Chapter 1 of *The Great Divergence*. What is the importance of this figure?

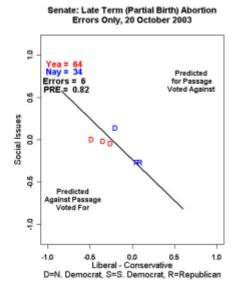
Income Share for the Top 1%



Top 1 percent income share includes capital gains. Source: Facundo Alvaredo, Tony Atkinson, Thomas Piketty, and Emmanuel Saez, "The World Top Incomes Database."

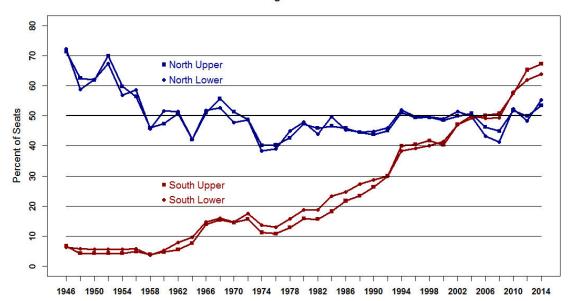
4. Explain the spatial map below. What is shown in the panel on the left and the panel on the right?





5. Summarize the important changes in the Party System that this figure illustrates.

Republican Percentage of Seats in State Legislatures: 1946 - 2014



6. What is the importance of this Table (note that it is for 2006, the height of the economy before the Great Recession)? What does it tell us about efforts to expand Social Programs (or Defense for that matter)?

Table 1.
Distribution of Federal Taxes and Household Income, 2006

	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	Top 10%	Top 5%	Top 1%
			Effective	Tax Rate	(Percent)	×			
All Federal Taxes	4.3	10.2	14.2	17.6	25.8	20.7	27.5	29.0	31.2
Individual Income Taxes	-6.6	-0.8	3.0	6.0	14.1	9.1	16.0	17.5	19.0
Social Insurance Taxes	8.5	9.2	9.4	9.6	5.8	7.5	4.6	3.4	1.6
Corporate Income Taxes	0.5	0.6	0.8	1.2	5.4	3.4	6.6	7.9	10.4
Excise Taxes	1.9	1.2	0.9	0.8	0.4	0.7	0.4	0.3	0.2
			Share	of Tax Lia	bilities				
All Federal Taxes	0.8	4.1	9.1	16.5	69.3	100.0	55.4	44.7	28.3
Individual Income Taxes	-2.8	-0.8	4.4	12.9	86.3	100.0	72.8	60.9	39.1
Social Insurance Taxes	4.4	10.3	16.6	25.0	43.5	100.0	25.7	14.5	4.0
Corporate Income Taxes	0.6	1.4	3.2	6.6	87.2	100.0	80.5	73.5	57.1
Excise Taxes	10.9	14.5	17.8	21.8	34.7	100.0	21.7	13.9	5.6
				Income					
Average Pretax Income	17,200	39,400	60,700	89,500	248,400	90,700	366,400	564,200	1,743,700
Average After-Tax Income	16,500	35,400	52,100	73,800	184,400	71,900	265,500	400,400	1,200,300
Share of Pretax Income	3.9	8.4	13.2	19.5	55.7	100	41.6	31.9	18.8
Share of After-Tax Income	4.7	9.5	14.3	20.3	52.1	100	38.1	28.5	16.3
Minimum Adjusted Income ^a	0	18,900	32,100	47,400	71,200	n.a.	98,100	134,400	332,300
Memorandum:									
Number of Households (Millions)	23.8	22.4	22.9	23.0	23.6	116.1	12.0	5.9	1.1

Source: Congressional Budget Office.