

## Reading Tips and Study Questions CLASS FOUR

### Required reading

1. **Frank Levy and Peter Temin**, "Inequality and Institutions in 20<sup>th</sup> Century America," Social Science Research Network Working Paper (2007).
2. **Freeland**, "The Self-Destruction of the One Percent," *NYT* (October 13, 2012).
3. **David Autor and David Dorn**, "How Technology Wrecks the Middle Class," *NYT* (August 23, 2013).
4. Introduction and chapters 1 and 3 in **(textbook) Enrico Moretti**, *The New Geography of Jobs* (NY: Houghton Mifflin, 2010).
5. **Steven Greenhouse**, "The Challenge of Creating Good Jobs," *New York Times* (September 7, 2011).
6. Articles on **Thomas Picketty's** *Capital in the Twenty-First Century* – pick a couple of the commentary pieces on this work to get a sense of why Picketty's thesis about wealth in industrialized nations is being discussed so much.

### Session overview

Last week, we looked at what is shaping the nation's population and its spatial distribution, with an emphasis on immigration to the U.S. and its effect on communities and on the movement of poor and minority households out of the center city and into suburban jurisdictions. For this class, we begin to look at broader trends in the economy regarding employment, income, and wealth. Not only must planners contend with these trends—buffering the most vulnerable from the most serious threats and shocks, providing local points of job-market connection and opportunity to the most isolated, creating sites of small-scale innovation, and so on—but they must often struggle to demonstrate the impact of their efforts in the context of these much larger economic forces.

Our department has a long history of spotlighting and "unpacking" these broader determinants of opportunity, and not just the neighborhood-level or other local forces, as part of our equitable development agenda. Examples range from an influential early look at the severe and far-reaching impacts of the de-industrialization of America—captured by DUSP economist Ben Harrison and his Northeastern University collaborator Barry Bluestone in their book, *The De-Industrialization of America: Plant Closings, Community Abandonment and the Dismantling of Basic Industry*, in 1982—to the changing role of skills and nature of job opportunity in America's economy. The latter topics have been analyzed

provocatively by DUSP economists Frank Levy and Paul Osterman, often with collaborators, in recent decades. David Autor at MIT's Economics department has also worked steadily in this area.

A steady and crucial theme of Osterman and Levy's work, as you'll note in the assigned reading for today, is that economic institutions—such as space for collective bargaining and effective wage standards and enforcement—matter far more than conventional wisdom or media coverage recognizes. Too much of what we call "access to work" turns out to be access to poorly paid and insecure work—counter to the comforting narrative that skills and personal motivation are a sufficient recipe for ensuring "opportunity."

This counter-point to the conventional wisdom is all the more important in the context of an economy that has shed a massive number of jobs, including relatively high-paying jobs in the building trades, State and local government, and other unionized sectors, thanks to the Great Recession and sharp cutbacks in public sector budgets. Another important counter-argument is the recent work of French economist Thomas Picketty, who compares the *rate of growth of the economy* in general to the *rate of return on capital* – that is, how much wealthy investors make on their investments vs. how much the economy grows overall. He suggests that, in general, the market economy will reward capitalists much more than workers, worsening existing wealth disparities unless there is some sort of global tax on capital.

### Reading Tips and Discussion questions

1. **Levy and Temin** address several myths about the determinants of economic inequality—historically one of the most politically charged debates in our politics. Focus on the introduction and conclusion, and skim the analytic core of the paper. What are the authors' major conclusions? What kinds of data do they use to support their arguments and why? **Freeland's** brief *NYT* article echoes this focus on the inclusiveness of society's basic institutions, drawing on the recent book, *Why Nations Fail*, while **Autor and Dorn** emphasize the changing nature of work and skill demands (an approach that Levy and Temin appreciate but critique).
2. **Moretti** adds a place-based dimension to the Levy and Temin analysis, and he—Moretti, like Autor and Dorn—focuses much more on economic restructuring and skill demands than institutions such as collective bargaining. To what major factors does Moretti attribute "the great divergence"? How have the basic rules of the economy changed for local places, according to Moretti?
3. In the **Greenhouse** article, Paul Osterman outlines his main worries about the current public conversation about public investment in education and creating jobs, as well as some recommendations for public policy. What less common role, beyond making educational improvements, does he emphasize for government policy?

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11.401 Introduction to Housing, Community, and Economic Development  
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