

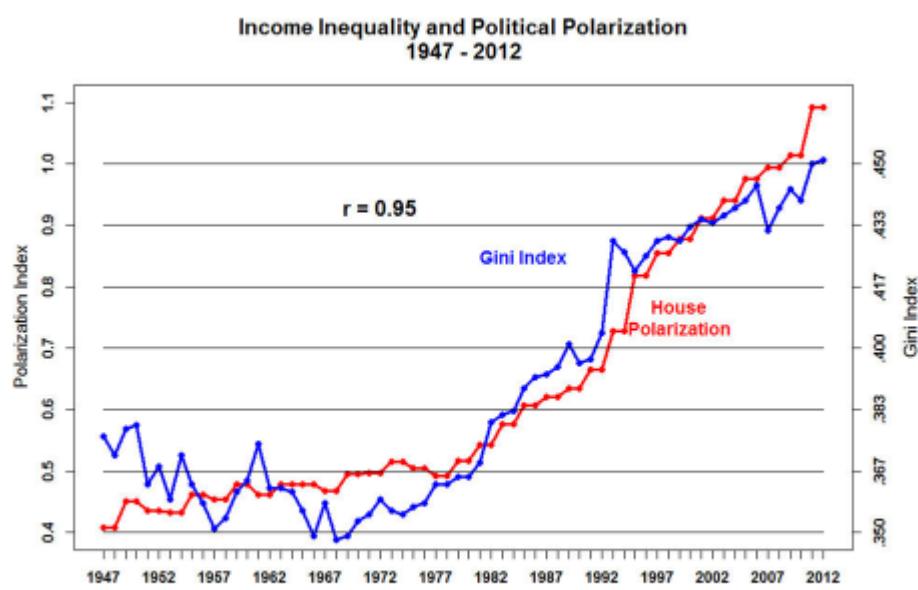
Second Examination POLS 4790H
The Politics of Income Inequality

7 November 2014

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?

Striking it Richer:
The Evolution of Top Incomes in the United States
 (Updated with 2012 preliminary estimates)
 Emmanuel Saez, UC Berkeley
 September 3, 2013

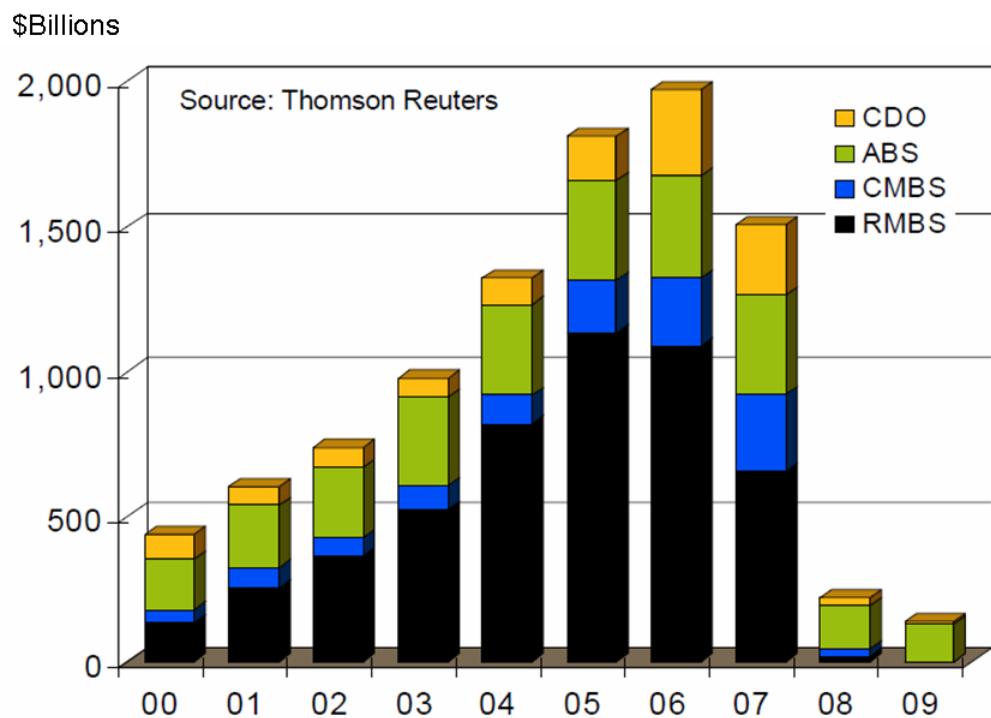
Table 1. Real Income Growth by Groups

	Average Income Real Growth (1)	Top 1% Incomes Real Growth (2)	Bottom 99% Incomes Real Growth (3)	Fraction of total growth (or loss) captured by top 1% (4)
Full period 1993-2012	17.9%	86.1%	6.6%	68%
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 2009-2012	6.0%	31.4%	0.4%	95%

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 2012 in August 2013 using IRS preliminary tax statistics for 2012.

3. What are the four types of securitization illustrated by this figure? Which type was primarily responsible for the financial meltdown of 2007-09?

Securitization Market Activity



4. How does Peter Orszag's career illustrate the behavior of the political/financial elites before, during, and after the 2007-09 financial crisis?

Peter Orszag,
Director of the Office of Management and Budget (OMB),
2009 -- 2011



5. What does this figure tell us about the dynamics of the financial crisis of 2007-09?

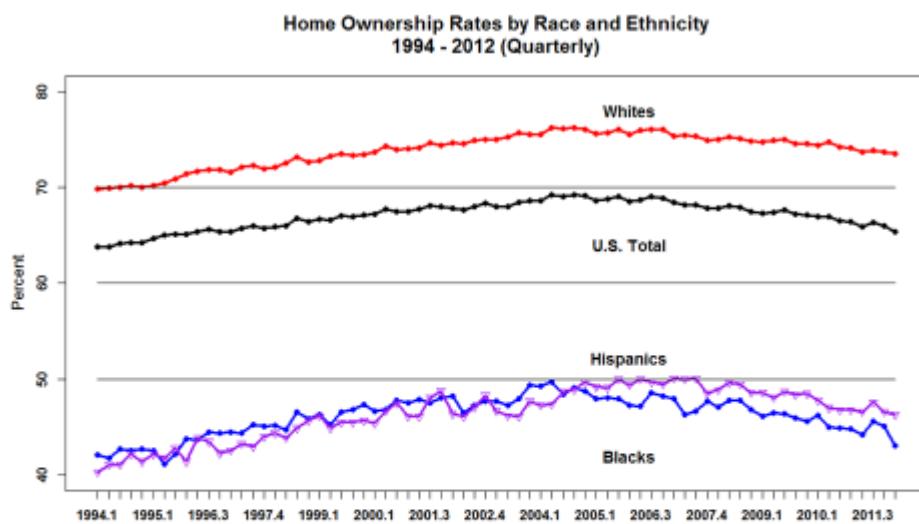


Figure 5.1 Homeownership Rates by Race and Ethnicity 1994-2012. Homeownership rates have continued to decline beyond the end of the 2007-09 recession. Homeownership rates in 2012 are lower for all groups than the rates in 2002. Black homeownership rates have had a particularly steep decline and have fallen back to the level in the mid 1990s. Source: Current Population Survey/Housing Vacancy Survey, Series H-111, Bureau of the Census.

6. What are the main problems with the Dodd-Frank Act?