econ long answer question

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 **Econ Long Answer Question**

1. During 1910 to 2010, the measurement of wealth inequality in America and France indicates that inequality was almost uniform during this period. There was a strong correlation between wealth inequality and income inequality which leads to a high impact on total income equality. In America, the factor behind this trend includes the high concentration of wealth in pre-1914. Main difference took place from the 1950s onward due to the patrimonial middle class and their concentration of wealth. In France, inherited wealth was the main factor that represented the total wealth during the 19th century. However, during the 20th century, its share fell from 80-90% to 40-50% which leads to u shaped curve for total wealth.
2. The trend in income inequality from 1910 to 2010 showed an increase in inequality in both Continental Western European and Anglo-Saxon countries. However, the main factor behind the change in inequality was different. For instance, during 1910-1940, inherited wealth was greater in Anglo-Saxon countries while European countries dependent on the income of the middle class more. During 1940-70s, inherited wealth started decreasing and middle class became more debited thus the government had to spend more to control the crisis. From 1980-2010, inherited wealth again showed increasing trend while countries like America managed to cover the crisis of great depression and wealth showed a positive trend.
3. Skill-based technological changes mean the contribution of a worker according to the skill for advanced technology. In America, the number of technological changes happened from the 1970s onwards. These changes had an impact over the wage inequality for the worker. For instance, skills supply was highly dependent on the educational system which can improve access, quality, and work experience of labor. The demand for skills means the positive correlation of the worker with the pace of innovation and its adoption. The theory indicates that wage inequality in America since the 1980s showed the rising educational wage difference. For instance, the computer became useful tool in the process of production which marked a number of workers as unskilled as they did not have enough knowledge of computer. Therefore, a worker who adopted new technology by acquiring knowledge of technology qualifies for the higher wages while others fall in low wage workers. This leads to the inequality of wages. The criticism for the SBTC includes the ignorance of other factors that affect wage inequality that are race, gender, and age. In addition, the hypothesis that inequality stabilized in the 1990s turned as a great criticism for the theory. The criticism is true as the 1990s trend was fluctuating and there were several other factors affecting wage inequality.
4. Human capital indicates the skills and experience that a worker gives to the company while signaling theories of education indicate the level of education and acquiring knowledge to enhance the skills. If the signaling model is considered as true then the skill-biased technological change argument should be considered as true. For instance, during the 1970s the innovation in information technology brought the change. The workers with advanced knowledge and computer skills provided their skill to the companies and achieved higher wages. However, the human capital theory can be also true as human capital try to adjust with the new technology and it is possible that even without having higher education, one can adopt the technology advancement through training when required.
5. During, 1945-1980s there was the shift in the economic policy regime. Full employment macroeconomics by Keynesian and welfare state social policy balanced the growth. Hourly wage growth was faltered which improved the real income growth. Publicly owned enterprise showed the decline and middle class was in debt. Governments increased their spending to stable wage inequality. Unions showed a strong correlation with low economic inequality. Higher education and income distribution policy by the government brought the change. From the 1980s onward, GDPPC growth increased to 55.6 percent. Central bank focused on low inflation. Government induced the recession and introduced the austerity budgets.
6. When the labor market is in competitive, it shows the positive relation with wages. For instance, when labor rate decreases in the market it leads to the increase in wage rate which increases the productivity of labor hence resulted in producer and consumer surplus and loss minimizes. The impact of unionization is inverse on the employment level as they control the number of employees in the company to increase the wage.



If the labor market is in a monopsony, the level of employment will increase as a single union will decide the number of workers and monopolist do not face such pressure as the number of workers are present which they can hire, therefore, the role of union gets minimized.



1. Income inequality and poverty have a strong correlation. With the decrease in income inequality, poverty also decreases. For the purpose, the government tries to distribute income equally and introduce different income support programs for low-class people. For instance, Canada has established Canada Pension plan and Canada Poverty Reduction Strategy. Piketty recommends that a progressive annual wealth tax of up to two percent globally can be beneficial for the reduction of poverty. Donald Trump is not in the support of Piketty’s predictions and he is more concerned about the progress of America alone.
2. From 1900-2010 government policy changed in America and Britain. The income tax was imposed on the people with high income in America and Britain. It was useful in these countries because other countries like France and Germany had more proportion of inherited wealth while America was more dependent on the wages of individuals. Piketty factors that capitalism is not an accident, wealth tax, income tax, inequality all were justified through the policy change in America and Britain. As taxes applied helped to gain the revenue and to maintain the debt.