Exam 4951 Autum 2024 **Comments for grading commission**

Over the recent hundred years most countries experienced a U-shaped development of the share of income going to the richest 1 percent. Discuss the development and explore possible reasons why the top income share first declined and then increased. Discuss in particular the role of

i) collective action, ii) unions, iii) tax policies, and iv) welfare spending

for both the concentration of income to the 1 percent and for inequality in the entire income distribution.

(Not more than 12 pages)

Comments

A. **Not more than 12 pages is not to be taken literally. If some exceed by two-three pages there should be now punishment.**
B. **The questions are special to prevent easy use of Chat GPT. We should accordingly expect (and reward) good answers and arguments reflecting the material in a) the reading list, b) the lectures, and c) the lecture notes. Other arguments should of course also count, but then we should expect that the candidate relates them to a), b) and c) above.**
C. **Candidates can pick specific countries – or areas. As usual we should reward candidates who are able to make their arguments historically relevant for either a country or any groups of countries.**
D. **The first question (about the U-shape) above concerns the development of top incomes only. The articles and book by Piketty in the reading list are most relevant. There is also a discussion of this in the book by Scheidel, but that is less directly concerned with the U-shape.**
E. **In part two of the question the students are asked to discuss the role of i) collective action, ii) unions, iii) tax policies, and iv) welfare spending for BOTH top income concentration (1 percent) AND the entire income distribution. Now they are not asked to be especially concerned with the possible U-shape – only the development of income concentration and inequality. Here I expect that they can**
    1) **distinguish between top incomes and inequality in the entire distribution,**
    2) **argue for the role of i) to iv) for both top 1 and entire inequality (This is indeed a difficult exercise – and we shall be satisfied if they have some reasonable arguments.) In the lectures I have discussed the role of all four i) -iv), but not with such a clear distinction between the top 1 and the entire inequality. I forward some lecture notes that I have distributed that cover some of, but not all of, these topics.**
    3) **In the lectures, I have used the approximation G = s +(1-s)g where G is the Gini for the entire population, s is the share of income going to the top 1 percent, g is the Gini for the remaining 99 percent of the population. The approximation is quite good for s being the top 1 percent, but not for all other top income shares.**
F. **Again: this is not an easy essay to write well—but it is an implicit test whether we can continue with home exams (now we rather specific questions) in the age of Chat GPT. To**

get the grade A cannot require a perfect essay, but we should expect that A-level students should try to argue for their answers on all points.