Policies to Reduce Earnings Inequality:

Human Capital/Supply Side Policies
e.g. high quality public education

Social Supports
e.g. social security

Direct Market Interventions
e.g. min wage, comparable worth, affirmative action

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Policies to Reduce Earnings Inequality:

There will be policies--the choice is about which policies to pursue, not whether or not to have them.

There is often a tradeoff between equity and efficiency.

Sometimes there is also a tradeoff between equity (fairness) and equality…

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Mary King- Policy Strategies to Raise Women’s Incomes in the U.S.

1) Policies to reduce impact of time spent by women caring for families.
2) Policies to increase pay in traditionally female jobs.
3) Policies to move women into higher-paid, traditionally male jobs.

Darity and Myers “Persistent Disparity…”

Observe that current policy discussions focus on racial differences in human capital

Stress the importance of discrimination, differences in family wealth, overall increases in earnings inequality

Malveaux

“Slipping through the cracks”

Policies intended to reduce earnings inequality might have different impacts on different demographic groups
For example, comparable worth policies were designed to help women in general, but would also tend to raise wages for African American women and men.

Sowell

Horror stories about poorly designed Affirmative Action policies from around the world.

Very good illustrations of what can go wrong when policies are not designed with care and thought.

Badgett

Review of evidence on Affirmative Action policies, finding small effects overall.

But suggests that Affirmative Action policies can be an effective way to break down barriers.

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Akerlof Parking Model of Affirmative Action

George Akerlof has compared peoples beliefs about affirmative action policies to this familiar situation: Suppose there is an empty handicapped parking space right outside a popular restaurant. Many people will drive past the empty space believing that if that space were not designated for handicapped drivers, they would be able to park there. But, of course, only one of them would fit in that space.