Overview and Objectives

This class is open to all who are interested. To make sure you can benefit from this class, you should have taken courses in econometrics and in microeconomics before.

The purpose of this class is twofold. First, to teach you about economic inequality, some of its causes, and how it is affected by policy. Second, to teach you econometric methods that have been used in the literature on economic inequality, which will help prepare you to conduct your own research on this or related topics.

We will focus on mechanisms affecting income inequality, such as racial discrimination, (de)unionization, minimum wages, shifts in labor demand due to changes in technology and trade, shifts in labor supply due to migration, intergenerational transmission of economic status, and taxation. We will briefly talk about the historical evolution of income and wealth inequality, as well as about international inequality; mostly, however, we will focus on mechanisms affecting the distribution of incomes in the United States. This focus is a reflection of the focus of the economics literature. There is
ample opportunity for applying and adapting the ideas we will discuss to other countries and contexts.

Class time will be dedicated to:

1. Lectures by me on methodological issues that come up in these papers, taking them as points of departure for teaching you some econometrics.

2. Presentations of the papers on our reading list by you, and (hopefully) subsequent discussions about these papers.

3. Guest-lectures by invited speakers (speakers and dates to be determined).

My role in this class is to (i) select the literature and topics we discuss, (ii) give lectures on econometric methods that are used in the literature on economic inequality, (iii) prepare lecture notes (online textbook) and assignments that teach you how to implement these methods, and (iv) guide discussions.

Your role in this class is to (i) read all the chapters in the online textbook and the assigned papers, and prepare 2-page summaries for at least 5 of them, (ii) present one of the papers, (iii) actively participate in discussions, (iv) complete the homework problems, and (v) write a final paper. Apart from the final paper each of these items should not take too much of your time.

You are also required to come to my office hours three times during the semester. You are of course welcome to stop by more often! The first time we meet, you should bring an idea for a research paper, specifying your research question and the data-set you plan to use (and how you will get it), as well as the methods you will use. The second time we meet you should already have your data and have started to implement your method, and have some preliminary results. To make these meetings productive, you are required to send me about one page beforehand each time, describing the state of your project, difficulties you encountered, and questions you would like to ask me.

Assignments and grading

Your grade for this class will be determined as follows:

1. Five summaries of empirical papers, which you can choose from the ones on this Syllabus. (4% of grade each)
Summaries should be about 2 pages long and should demonstrate that you read and understood the paper in question. Try to emphasize the question and method of the paper more than the results.

2. Five short problemsets. (4% of grade each)
   All of these, except problemset 2, are theoretical and based on material covered in lectures. Problemset 2 is computational, and is intended to introduce you to the statistics software R as well as to basic data manipulation.

3. One in class presentation, on the empirical papers. (20% of grade)
   Presentations should take about 40 minutes per paper. You should prepare slides for your presentation. Please sign up at
   https://doodle.com/poll/mhcspi9zb6dsfupg.

4. Two summaries of the state of your research project, to be uploaded before we meet in office hours; see above. (5% of grade each)
   • Please sign up for office hours at
     https://doodle.com/poll/xz4vwum46pn35zz
     Available slots are between 1:30pm and 2:50pm every Thursday.
   • Please send me an email with your research question and the data you plan to use by February 28.
   • Our first office hour meeting needs to be before spring break, our second meeting before April 18.
   • Your summaries should be about 1 page for the first one, and a minimum of 3 pages for the second one.

5. A final research paper of about 20-25 pages, due May 8. (30% of grade)

   Paper summaries, presentation slides, summaries of the state of your research project, and your final paper should all be uploaded to the Canvas class page.

The final paper

An important part of this class is the writing of an original research paper, based on the following guidelines. You should start early, the paper is due on May 8.
• Length: about 20-25 pages, including tables, figures, footnotes, appendices, and references. Typed, double-spaced, and using one-inch margins and 12 point type.

• Topic: Any topic of your choice related to the course. A good starting point might be to extend one of the papers we discussed in class to a new data set or context, applying some of the methods from the lecture notes. Something more original is possible, too, but you should discuss with me beforehand.

The key is that you have (i) a well defined research question and (ii) answer it through original analysis of some data set.

• Data sources: There are many data sets available online which can be used; other data sets are available at the library. Sections might be useful for discussing where to find data.

• Write-up: Your paper should follow standard guidelines for academic writing. Helpful references include the following.


Course outline and readings

I have prepared an open online “textbook” for this class, available at

http://inequalityresearch.net.

This webpage is intended to accompany the reading of the original articles assigned, as opposed to serving as a stand-alone textbook. The purpose of this webpage is to give you some conceptual background and a compact overview of formal definitions and derivations and of the econometric methods used, but often left implicit, in the papers discussed.

Required readings

We will discuss the following articles in class. For each of these articles, the webpage provides some technical and methodological background and summary.
1. Topic: The long run evolution of inequality as measured by top income shares.
   Method: Pareto distribution, maximum likelihood, (interval) censored data.

   Method: Elasticities of labor supply.

   Method: Potential outcomes, treatment effects, randomized experiments.

   Method: Distributional decompositions, reweighting.

5. Topic: Labor demand and labor supply, technical change, immigration.
   Method: Estimation of demand systems.
   Method: Measurement error.


   Method: Equivalent variation, conditional causal effects.


8. Topic: Redistributive taxation.
   Method: Computing optimal income tax schedules.


   Method: Matching.


   
Recommended books

1. Normative theories of distributive justice:
   
   
   

2. Economists on the history of inequality:

   • The long run evolution of wealth-inequality and its causes:

   • Education, technology, and inequality:

   • Global inequality of health and incomes:

   • Historical origins - slavery in the United States

   • Policy alternatives:

3. Perspectives outside economics:

   • The sociology of social classes:

   • Feminist perspectives: