

Harvard University, spring 2019
Syllabus for Economics 980w - Empirical Research
on Economic Inequality

instructor	Maximilian Kasy
office	Littauer 121
email	teachingmaxkasy@gmail.com
lecture time	Tuesday, 1:30-2:45pm
office hours	Thursday, 1:30-2:50pm
location	Science Center 216
webpage	https://maxkasy.github.io/home/Inequality2019/
teaching fellow	Zoe Hitzig zhitzig@g.harvard.edu

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/xz4vwunu46pn35zz>.
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.
 - Booth, W. C., Colomb, G. G., and Williams, J. M. (2003). *The craft of research*. University of Chicago press.
 - Cochrane, J. H. (2005). *Writing Tips for Ph. D. Students*. University of Chicago.
 - Pinker, S. (2014). *The Sense of Style: The Thinking Person's Guide to Writing in the 21st Century*. Penguin.

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.
Atkinson, A. B., Piketty, T., and Saez, E. (2011). Top incomes in the long run of history. *Journal of Economic Literature*, 49(1):3–71.
2. Topic: The long run evolution of gender inequality.
Method: Elasticities of labor supply.
Goldin, C. (2006). The quiet revolution that transformed women’s employment, education, and family. *American Economic Review*, 96(2):1–21.
3. Topic: Racial discrimination.
Method: Potential outcomes, treatment effects, randomized experiments.
Bertrand, M. and Mullainathan, S. (2004). Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination. *American Economic Review*, 94(4):991–1013.
4. Topic: The effect of de-unionization on inequality.
Method: Distributional decompositions, reweighting.
Fortin, N. M. and Lemieux, T. (1997). Institutional changes and rising wage inequality: Is there a linkage? *The Journal of Economic Perspectives*, 11(2):pp. 75–96.
Firpo, S., Fortin, N., and Lemieux, T. (2011). Decomposition methods in economics. *Handbook of Labor Economics*, 4:1–102.
5. Topic: Labor demand and labor supply, technical change, immigration.
Method: Estimation of demand systems.
Card, D. (2009). Immigration and inequality. *The American Economic Review*, 99(2):1–21.
Boustan, L. P. (2009). Competition in the promised land: Black migration and racial wage convergence in the north, 1940–1970. *The Journal of Economic History*, 69(03):755–782.
Autor, D. H., Katz, L. F., and Kearney, M. S. (2008). Trends in US wage inequality: Revising the revisionists. *The Review of Economics and Statistics*, 90(2):300–323.

6. Topic: Intergenerational mobility.
Method: Measurement error.

Chetty, R., Hendren, N., Kline, P., and Saez, E. (2014). Where is the land of opportunity? The geography of intergenerational mobility in the United States. *Quarterly Journal of Economics*, 129(4):1553–1623.

Black, S. and Devereux, P. (2011). Recent developments in intergenerational mobility. *Handbook of Labor Economics*, 4:1487–1541.
7. Topic: The welfare impact of changing prices and wages.
Method: Equivalent variation, conditional causal effects.

Deaton, A. (1989). Rice prices and income distribution in Thailand: a non-parametric analysis. *The Economic Journal*, pages 1–37.
8. Topic: Redistributive taxation.
Method: Computing optimal income tax schedules.

Saez, E. (2001). Using elasticities to derive optimal income tax rates. *The Review of Economic Studies*, 68(1):205–229.

Chetty, R. (2009). Sufficient statistics for welfare analysis: A bridge between structural and reduced-form methods. *Annual Review of Economics*, 1(1):451–488
9. Topic: International inequality.
Method: Matching.

Clemens, M. A., Montenegro, C. E., and Pritchett, L. (2009). The place premium: wage differences for identical workers across the US border.

Milanovic, B. (2015). Global Inequality of Opportunity: How Much of Our Income Is Determined by Where We Live? *The Review of Economics and Statistics*, 2(97):452–460
10. Topic: Policy options.

Atkinson, A. (2014). After Piketty? *The British Journal of Sociology*, 65(4):619–638.

Recommended books

1. Normative theories of distributive justice:
 - Rawls, J. (1973). *A theory of justice*. Harvard University Press, Cambridge
 - Sen, A. (1995). *Inequality reexamined*. Oxford University Press, Oxford
 - Roemer, J. E. (1998). *Theories of distributive justice*. Harvard University Press, Cambridge
2. Economists on the history of inequality:
 - The long run evolution of wealth-inequality and its causes:
Piketty, T. (2014). *Capital in the 21st Century*. Harvard University Press, Cambridge
 - Education, technology, and inequality:
Goldin, C. D. and Katz, L. F. (2009). *The race between education and technology*. Harvard University Press
 - Global inequality of health and incomes:
Deaton, A. (2013). *The great escape: Health, wealth, and the origins of inequality*. Princeton University Press, Princeton
 - Historical origins - slavery in the United States
Fogel, R. W. (1994). *Without consent or contract: the rise and fall of American slavery*. WW Norton & Company
 - Policy alternatives:
Atkinson, A. B. (2015). *Inequality: What Can be Done?* Harvard University Press
3. Perspectives outside economics:
 - The sociology of social classes:
Wright, E. O. (2005). *Approaches to class analysis*. Cambridge University Press, Cambridge
 - Feminist perspectives:
Fraser, N. (2013). *Fortunes of Feminism: From State-Managed Capitalism to Neoliberal Crisis*. Verso Books