

Harvard University, fall 2015
Syllabus for Economics 980z - Empirical Research
on Economic Inequality

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office hours	by appointment (see below), Tuesday, 4:30-5:50pm
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class time	Tuesday, 2-4pm
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Overview and Objectives

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, perhaps in an undergrad thesis. You are required to write a research paper for this class.

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.

Class time will be dedicated to:

1. Presentations of the papers on our reading list by you, and (hopefully) subsequent discussions about these papers.
2. Lectures by me on methodological issues that come up in these papers, taking them as points of departure for teaching you some econometrics.
3. Time permitting, towards the end of the semester, group work on assignments that have you implement (program) the methods used in these papers.

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 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 assigned papers, and prepare 2 page summaries for one of the papers each week, (ii) present one of the papers, jointly with a classmate, (iii) actively participate in discussions, and (iv) write a research paper.

You are also *required* to sign up to come to my *office hours* twice during the semester. Please sign up on the Canvas class page to reserve a slot. 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.

To make sure you can benefit from this class, it is required that you have taken Econ 1123 or 1126, or an equivalent class in econometrics.

Assignments

Your grade for this class will be determined as follows:

1. Ten **summaries of empirical papers**, which you can choose from the ones on this Syllabus. (3% 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. One **in class presentation**, jointly with a classmate, on one of the papers. (30% of grade)
Presentations should take about 40 minutes per paper. You should prepare slides for your presentation. Please sign up on the Canvas class page.
3. Two **summaries of the state of your research project**, to be uploaded before we meet in office hours; see above. (5% of grade each)
 - For office hours, please sign up on the Canvas class page. Available slots are between 4:30pm and 5:50pm every Tuesday.
 - Please send me an email with your research question and the data you plan to use by Sep 30.
 - Our first office hour meeting needs to be before Oct 20, our second meeting before Nov 24.
 - Your summaries should be about 1 page for the first one, 3 pages for the second one.
4. A **final research paper** of about 20-25 pages, due December 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. Sign-up for presentations and for office hours takes place on the Canvas page, as well.

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 December 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 relating to the course theme. 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. I will prepare some references for you. Other data sets are available at the library. You might also discuss in sections 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 a new set of lecture notes for this class. These lecture notes are intended to accompany the reading of the original articles assigned, as opposed to serving as a stand-alone “textbook.” The purpose of these notes is to give you a compact overview of formal definitions and derivations and of the econometric methods used, but often left implicit, in the papers discussed. These lecture notes are new, any feedback on these notes is welcome!

Required readings

We will discuss the following articles in class. For each of these articles, the lecture notes provide 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: Cohort analysis
 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.
 Acharya, A., Blackwell, M., and Sen, M. (2014). The political legacy of American slavery. *HKS Working Paper*.
 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.

Kasy, M. (2014). Who wins, who loses? Tools for distributional policy evaluation. *working paper*.

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.

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