

UN3953: Causes and Consequences of Inequality

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Class meetings Thursday 6:10–8:00 pm

Office hours Tuesday 10:00–11:00 am 1131 IAB

Overview This seminar has two objectives:

1. Discuss the economic causes and consequences of inequality, with a particular focus on top income and wealth inequality. We will discuss the relative role of technology, financial markets, and institutions in driving the recent rise in inequality.
2. Illustrate the application of economics to a specific area, and develop skills to do it in others (junior seminars partially serve as preparation for students who will write a thesis as seniors, including in other subfields of economics). Specifically, participants will work on:
 - Presenting/discussing existing work,
 - Formulating a research question,
 - Placing it in the context of an existing literature, and
 - Using econometric and theoretical tools to address it.

Up to the midterm, the focus will be on objective (1). Later, the focus will shift to (2). Students will propose a research question (broadly about inequality). The final product will be a presentation and a short paper. These need not be long pieces that use data to reach a conclusion (although that would be ideal). But they must clearly specify the question raised, and what would be required to credibly address it.

Prerequisites Prerequisites are UN 3211 Int Micro, UN 3213 Int Macro and UN 3412 Econometrics, all with grades of B+ or higher.

Grading There are four components to your grade in this class.

1. Class Participation: 20% Attendance is required, as is arriving prepared to discuss the assigned readings (the ones with an asterisk). Cell phone use is not allowed. Laptops are fine for taking notes, but please respect your classmates by limiting yourself to class-related activities.

2. Midterm: 30% The midterm exam will focus on testing your understanding of models and the empirical evidence that we will review in class. Exam is closed-book, although you can bring a one letter-size hand-written note (one side only, 8.5 x 11 inches). Calculators are not allowed.
3. Presentation of Existing Paper (in pair): 20% You will form pairs and give a 20-minute presentation on an existing paper in the literature on inequality (see below)
4. Research proposal: 30% You will write a research paper that addresses a well-defined economics question. This paper is due at the end of finals week. Prior to that, you will give a 20m presentation about your progress on your paper in the last few weeks of class.

Research Paper The primary goal of this class is for you to write a research paper that addresses a well-defined economics question.

Each of you will give a very short presentation on your progress on your paper during the last weeks of class. Each presentation should be about 15 minutes long. Your research paper is due at the end of finals week.

There is a “Data TA” to assist you with programming and data issues, who will hold weekly office hours. Please have a look at <https://econ.columbia.edu/undergraduate/student-information/advisors-2/> for more information. In addition, there is some STATA and R programming information on the website - Computing and Data Resources Page.

TextBooks and Additional Readings There will be no required textbooks for this course, and lecture notes will be posted on Canvas. Some weeks we will cover papers that are directly available through Columbia Library.

Statement on Academic Integrity As members of an academic community, each of us has a responsibility to participate in scholarly discourse and research in a manner characterized by intellectual honesty and scholarly integrity, and plagiarism is a very serious violation. While I encourage you to discuss the course readings and assignments with your classmates, all work that you turn in must be your own. Students suspected of plagiarism will be reported to the University’s Judiciary Office.

Statement on Disabilities Accommodations If you have an Accommodation Letter please let me know by email. If you believe that you might need an accommodation, please contact Disability Services.

Course Outline

Week 1 Introduction

Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. “Distributional national accounts: methods and estimates for the United States”. In: *The Quarterly Journal of Economics* 133.2 (2017), pp. 553–609

Gerald Auten and David Splinter. “Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends”. In: *Journal of Political Economy* 0.ja (0), null. DOI: 10.1086/728741. eprint: <https://doi.org/10.1086/728741>. URL: <https://doi.org/10.1086/728741>

Week 2 Wage Inequality: Role of Technological Changes

*Daron Acemoglu. “Technical change, inequality, and the labor market”. In: *Journal of economic literature* 40.1 (2002), pp. 7–72 (Section 1-3)

H David and David Dorn. “The growth of low-skill service jobs and the polarization of the US labor market”. In: *American Economic Review* 103.5 (2013), pp. 1553–97

Daron Acemoglu and Pascual Restrepo. “Robots and jobs: Evidence from US labor markets”. In: *NBER working paper* w23285 (2017)

Thomas Lemieux, W Bentley MacLeod, and Daniel Parent. “Performance pay and wage inequality”. In: *The Quarterly Journal of Economics* 124.1 (2009), pp. 1–49

H David, David Dorn, and Gordon H Hanson. “The China syndrome: Local labor market effects of import competition in the United States”. In: *American Economic Review* 103.6 (2013), pp. 2121–68

David H Autor, David Dorn, and Gordon H Hanson. “Untangling trade and technology: Evidence from local labour markets”. In: *The Economic Journal* 125.584 (2015), pp. 621–646

Week 3 Wage Inequality: Role of Superstars

*Sherwin Rosen. “The economics of superstars”. In: *The American economic review* 71.5 (1981), pp. 845–858 (Introduction)

Xavier Gabaix and Augustin Landier. “Why has CEO pay increased so much?” In: *The Quarterly Journal of Economics* 123.1 (2008), pp. 49–100

Week 4 Wage Inequality: Role of Institutions

*Marianne Bertrand and Sendhil Mullainathan. “Are CEOs rewarded for luck? The ones without principals are”. In: *The Quarterly Journal of Economics* 116.3 (2001), pp. 901–932 (Section I, II)

Ulrike Malmendier and Geoffrey Tate. “Superstar ceos”. In: *The Quarterly Journal of Economics* 124.4 (2009), pp. 1593–1638

*Thomas Piketty, Emmanuel Saez, and Stefanie Stantcheva. “Optimal taxation of top labor incomes: A tale of three elasticities”. In: *American economic journal: economic policy* 6.1 (2014), pp. 230–71

*José Azar, Ioana Marinescu, and Marshall Steinbaum. “Labor market concentration”. In: *Journal of Human Resources* 57.S (2022), S167–S199

Henry S Farber et al. “Unions and inequality over the twentieth century: New evidence from survey data”. In: *The Quarterly Journal of Economics* 136.3 (2021), pp. 1325–1385

Anna Stansbury and Lawrence H Summers. *The declining worker power hypothesis: An explanation for the recent evolution of the American economy*. Tech. rep. National Bureau of Economic Research, 2020

Week 5 Wealth Inequality

*Emmanuel Saez and Gabriel Zucman. “Wealth inequality in the United States since 1913: Evidence from capitalized income tax data”. In: *The Quarterly Journal of Economics* 131.2 (2016), pp. 519–578

*Moritz Kuhn, Moritz Schularick, and Ulrike I Steins. “Income and wealth inequality in America, 1949–2016”. In: *Journal of Political Economy* 128.9 (2020), pp. 3469–3519

Matthieu Gomez. “Decomposing the growth of top wealth shares”. In: *Econometrica* 91.3 (2023), pp. 979–1024

Week 6 Mobility

*Raj Chetty et al. “Where is the land of opportunity? The geography of intergenerational mobility in the United States”. In: *The Quarterly Journal of Economics* 129.4 (2014), pp. 1553–1623

Wojciech Kopczuk, Emmanuel Saez, and Jae Song. “Earnings inequality and mobility in the United States: evidence from social security data since 1937”. In: *The Quarterly Journal of Economics* 125.1 (2010), pp. 91–128

Kerwin Kofi Charles and Erik Hurst. “The correlation of wealth across generations”. In: *Journal of political Economy* 111.6 (2003), pp. 1155–1182

Week 7 Review of Empirical Methods

Joshua D. Angrist and Jorn-Steffen Pischke *Mastering 'Metrics: The Path from Cause to Effect*

Week 8 Midterm

Assignment : One page statement of proposed work (due by the start of the class after spring break)

Week 9/10 Student Presentations: Existing Papers

Here is a list of suggested papers for student presentations. Feel free to send me an email if you are interested in a presenting a paper outside this list.

- Wealth Inequality Outside the US

Filip Novokmet, Thomas Piketty, and Gabriel Zucman. “From Soviets to oligarchs: inequality and property in Russia 1905-2016”. In: *The Journal of Economic Inequality* 16.2 (2018), pp. 189–223

Thomas Piketty, Li Yang, and Gabriel Zucman. *Capital accumulation, private property and rising inequality in China, 1978-2015*. Tech. rep. National Bureau of Economic Research, 2017

- Worker Market Power

Anna Stansbury and Lawrence H Summers. *The declining worker power hypothesis: An explanation for the recent evolution of the American economy*. Tech. rep. National Bureau of Economic Research, 2020

- Racial and Gender Inequality

Francine D Blau and Lawrence M Kahn. “The gender wage gap: Extent, trends, and explanations”. In: *Journal of Economic Literature* 55.3 (2017), pp. 789–865

Raj Chetty et al. “Race and economic opportunity in the United States: An intergenerational perspective”. In: *The Quarterly Journal of Economics* 135.2 (2020), pp. 711–783

Ellora Derenoncourt et al. *Wealth of two nations: The US racial wealth gap, 1860-2020*. Tech. rep. National Bureau of Economic Research, 2022

Chang-Tai Hsieh et al. *The allocation of talent and us economic growth*. Tech. rep. National Bureau of Economic Research, 2013

- Inequality and Political Polarization

David Autor et al. *Importing political polarization? The electoral consequences of rising trade exposure*. w22637. National Bureau of Economic Research Cambridge, MA, 2016

- Mobility

Raj Chetty, Nathaniel Hendren, and Lawrence F Katz. “The effects of exposure to better neighborhoods on children: New evidence from the moving to opportunity experiment”. In: *American Economic Review* 106.4 (2016), pp. 855–902

Alex Bell et al. “Who Becomes an Inventor in America? The Importance of Exposure to Innovation”. In: *The Quarterly Journal of Economics* 647 (2019), p. 713

Week 11/12/13 Student Presentations: Research in Progress