

Miles Corak
Department of Economics

365 Fifth Avenue, Room 6203.12
New York, NY 10016-4309
212.817.8706

mcorak@gc.cuny.edu
MilesCorak.com @MilesCorak



Economics 85600

INEQUALITY, ECONOMIC OPPORTUNITY, AND PUBLIC POLICY

Autumn 2018

The class meets in Room 3309 on Wednesday afternoons from 2:00 to 4:00 pm according to the following schedule (which is subject to adjustments according to the professor's perception of student needs and other opportunities).

| | |
|--------------|---|
| August 29 | 0. Administration |
| September 12 | 1. Introduction and course structure |
| September 26 | 2. Overview of major themes |
| October 3 | 3. Top end inequality: facts, interpretations, policies |
| October 10 | 4. The intergenerational transmission of wealth |
| October 17 | 5. Measuring intergenerational income mobility |
| October 24 | 6. Intergenerational mobility in theory |
| October 31 | 7. Trends in intergenerational mobility |
| November 7 | 8. The geography of Intergenerational mobility |
| November 14 | 9. Intergenerational mobility in theory (again) |
| November 21 | 10. The causal impact of neighbourhoods |
| November 28 | 11. Schooling and teachers |
| December 5 | 12. Early years and families |
| December 12 | 13. Labour markets and intergenerational mobility |
| December 19 | 14. Social welfare and equality of opportunity |

Teaching Methods

The successful student will take full advantage of the opportunities provided in class. Attending classes, handing in assignments on time, and consistently contributing to the class in all activities—whether group, pair, or individual—will all be considered as measures of success in effectively using your class time. The classroom is intended to be a safe place where students can question and practice, receive feedback from both the instructor and their peers, and rely on their classmates as partners and resources in the learning process.

The instructor's role is to provide resources, guidance, and support, but students are responsible for engaging actively in the process. Students are responsible for completing readings before the class, being prepared for discussions, submitting assignments on time, volunteering material for consideration by the class, offering feedback to their classmates, and constructively incorporating the feedback they receive from both classmates and the instructor into their own work. Working in groups, students will also make in-class presentations of early drafts of their term papers.

Assessment Methods

The final mark will be determined as follows

| | |
|-------------------------------|------|
| Informed engagement: | 20 % |
| Student led class discussion: | 10 % |
| Paper, first draft: | 10 % |
| Referee report: | 10 % |
| Paper, second draft: | 30 % |
| In class test: | 20 % |

A mark below 65% corresponds to a C, 65 to 69% to a B- , 70 to 74% to a B, 75 to 79% to a B+ , and in a similar way 80 to 84%, 85 to 89%, and 90 or above to respectively A- , A , and A+ . The passing grade for the course is a 65 %.

Informed engagement and student led class discussion (20% + 10%)

Emphasis is given to your engagement in the course and the activities of the class. This is best demonstrated by motivated and informed involvement. This requires attending all scheduled classes, but also involves having completed the readings before the class and being prepared to engage in discussion. It involves your contributions to group work, completion of assignments by the required date, and attention to feedback from your peers and instructor.

But obviously if you are not present you cannot participate, and regular attendance is therefore expected as is punctually arriving for the beginning of class. Appropriate documentation justifying an extended absence is required. The policy on absences and late submissions is detailed in the following box.

Policy on absences and late submissions

Class attendance is necessary (but not sufficient) to successfully complete this course. Students are required to be punctual, arriving on time for class. Each missed class will result in the loss of five (5) percentage points of the Informed engagement mark. For example, if a student were to miss six classes he or she would be assigned 0 for the Informed Engagement portion of the final mark ($30 - 6 \times 5$). In addition, students not present for a scheduled class presentation for which they are responsible will be assigned a mark of zero for the class presentation. For example, if a student were to miss four classes, one of which included a scheduled presentation for which they are in part responsible as a team member, the student would lose a total of 40 marks.

Late submissions of assignments and papers will not be accepted and will receive a mark of zero. This applies to all assignments including those submitted by email, and in this case, the time of receipt of the email by the professor is guarantor of the time of delivery. Exceptions are made only for illness or other serious situations deemed as such by the professor. All absences from class or exams, and all late submissions due to illness must be supported by a medical certificate. The professor reserves the right to accept or reject the reason put forth if it is not medical. Reasons such as travel, work, and errors made while reading the exam schedule are not usually accepted. In the event of an illness or related complications, only the counseling service and the university clinic may issue valid certificates to justify a delay or absence.

Students are advised to notify the professor as soon as possible if a religious holiday or other event forces their absence during an evaluation.

A portion of each class will be devoted to a student led discussion of a particular reading or a set of readings. Generally these readings will complement the professor's lecture during the same class, supplement the lecture, or offer the opportunity to examine and discussion competing interpretations or policy options. Students will work individually, in pairs, or in small groups, taking turns to lead the class in a discussion motivated by a set of questions the professor will provide in advance. Each student is required to participate in a lead role once during the course.

Paper first draft, referee report, paper second draft (10% + 10% + 30%)

Students are required to complete a term paper, submit a first draft of the paper, and also offer a referee report of another student's first draft.

The first draft of the paper is due before the beginning of the class on November 7th, to be submitted electronically to the professor at < mcorak@gc.cuny.edu > . Papers dated as arriving past 2:00pm on November 7th will not be graded, and students will receive a zero for this portion of the grade.

Each student will receive a copy of another student's first draft and is required to write a referee report of the draft, clearly stating the main themes and message of the paper, and offering substantive suggestions for improving. These referee reports are due by 9:00am on November 12th, to be submitted electronically to the professor at < mcorak@gc.cuny.edu > . At the professor's discretion they will be forwarded to the original author anonymously. This requires that the referee reports be submitted to the professor with no identifying information, in particular they are not to include the student's name.

The final (second) draft of the paper is due before the beginning of the class on December 12th, to be submitted electronically to the professor at < mcorak@gc.cuny.edu > as a pdf properly formatted and edited following accepted academic standards. Papers dated as arriving past

2:00pm on December 12th will not be read, and students will receive a zero.

Students have a choice of three types of topics to address for their term paper topic: they may choose to conduct a detailed country study, they may choose to write a review of a book chosen from a list in consultation with the professor, or they may choose to write a thematic literature review of one of the themes discussed in the course.

The first choice is a detailed country study of inequality and social mobility, addressing the state of understanding and nature of available data, examining the most important drivers, and where possible setting out the options for the most appropriate policy directions. Students may, where appropriate, also pursue original research with appropriate data. The studies may be chosen from one of the following: Brazil, Mexico, China, India. The possibility of choosing a country not on this list may be explored with the professor, and is at the professor's discretion.

The second possible topic is to undertake a critical book review. The book review must be written in a way that clearly uses the materials and themes discussed in the course to assess the major messages, methods, and implications of one of the following books:

- Clark, Gregory. 2014. *The Son Also Rises: Surnames and the History of Social Mobility*. Princeton: Princeton University Press.
- Conley, Dalton and Jason Fletcher. 2017. *The Genome Factor What the Social Genomics Revolution Reveals about Ourselves, Our History, and the Future*. Princeton New Jersey: Princeton University Press.
- Fishkin, Joseph. 2014. *Bottlenecks: A New Theory of Equal Opportunity*. Oxford: Oxford University Press.
- Frank, Robert 2016. *Success and Luck: Good Fortune and the Myth of Meritocracy*. Princeton New Jersey: Princeton University Press.
- Mulligan, Casey B. 1997. *Parental Priorities and Economic Inequality*. Chicago: University of Chicago Press.
- OECD (2018). *A Broken Social Elevator? How to Promote Social Mobility*, OECD Publishing, Paris.
- Roemer, John E. 2000. *Equality of Opportunity*. Cambridge Massachusetts: Harvard University Press.

Students must choose from this list in consultation with the professor, who retains the final right to assign a book to the student. Books not on this list may be proposed by students, but again only subject to the final approval of the professor.

The third topic involves a more in depth review of one of the topics covered in the course, a review that is based on a fuller reading of the required and optional readings listed in one of the course themes. This would involve exploring one of the course themes in detail, and

examining the substantive measurement, theoretical, and/or policy issues that motivate the literature. Students will be required to choose the theme in conjunction with the professor, and will be invited to incorporate additional readings that they view as important. Choosing this option will require the student to submit a reading list to the professor before the topic is approved.

In class test (20%)

An in class test will be conducted toward the end of the course to assess students' knowledge of the core course materials. The structure and date of this test will be negotiated with the students at some point during the second half of the course.

Required readings, and readings for student led discussion

The readings are listed in order of priority. The first readings are generally the required and principle readings. The remaining readings are optional, and students may pursue them according to their interests. But all the readings form the basis for the lecture conducted in class.

The readings highlighted in **bold** are the readings for the basis of the student led discussion during the second half of the class. At the beginning of each class the professor will seek volunteers to lead the discussion of these readings for the next class. Students are only required to volunteer once, and may be required to work individually, in pairs, or in small groups.

Some classes do not have student led discussions associated with them, and at the professors discussion these classes may be used to offer special lectures from students or other experts.

1. Introduction and course structure, September 12th

2. Overview of major themes, September 26th

Corak, Miles. 2013. "Income Inequality, Equality of Opportunity, and Intergenerational Mobility." *Journal of Economic Perspectives* 27 (3): 79–102.

Jäntti, Markus, and Stephen P. Jenkins. 2015. "Chapter 10 - Income Mobility." In *Handbook of Income Distribution*, edited by Anthony B. Atkinson and François Bourguignon, 2:807–935. Elsevier.

Mulligan, Casey B. 1997. *Parental Priorities and Economic Inequality*. Chicago: University of Chicago Press. Chapters 1, 2, 3, and 6.

3. Top end inequality: facts, interpretations, policies, October 3rd

Atkinson, Anthony B., Thomas Piketty, and Emmanuel Saez (2011). "Top Incomes in the Long Run of History." *Journal of Economic Literature*. 49 (1): 3-71.

Piketty, Thomas, and Emmanuel Saez (2003). "Income Inequality in the United States, 1913-1998." *The Quarterly Journal of Economics*. 118 (1): 1-39.

Rosen, Sherwin (1981). "The Economics of Superstars." *American Economic Review*. 71(5): 845-58.

Lemieux, Thomas, W. Bentley MacLeod, and Daniel Parent (2009). "Performance Pay and Inequality." *Quarterly Journal of Economics*. 124(1): 1-49.

Kaplan, Steven N. and Joshua Rauh (2010). "Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes?" *Review of Financial Studies*. 23 (3): 1004-1050.

Bivens, Josh and Lawrence Mishel (2013). "The Pay of Corporate Executives and Financial Professionals as Evidence of Rents in Top 1 Percent Incomes." *Journal of Economic Perspectives* 27 (3): 57-78.

Mankiw, N Gregory (2013). "Defending the One Percent." *Journal of Economic Perspectives*. 27 (3): 21-34.

4. The intergenerational transmission of wealth, October 10th

Clark, Gregory and Neil Cummins (2014). "Intergenerational Wealth Mobility in England, 1858-2012." *Economic Journal*. 125 (February): 61-85.

Pfeffer, Fabian T. and Alexandra Killewald (2018). "Generations of Advantage. Multigenerational Correlations in Family Wealth." *Social Forces*. 96 (4): 1411-1442.

Boserup, Simon Halphen, Wojciech Kopczuk, and Claus Trustrup Kreiner (2017). "Intergenerational Wealth Formation over the Life Cycle: Evidence from Danish Wealth Records 1984-2013." Unpublished manuscript.

Adermon, Adrian, Mikael Lindahl, and Daniel Waldenström (2018). "Intergenerational Wealth Mobility and the Role of Inheritance: Evidence from Multiple Generations." *Economic Journal*. 128 (612): 482-513.

Alvaredo, Facundo, Bertrand Garbinti, and Thomas Piketty (2017). "On the Share of Inheritance in Aggregate Wealth: Europe and the USA, 1900-2010." *Economica*. 84, 239-260.

Wolff, Edward N. (2107). *A Century of Wealth in America*. Cambridge Massachusetts: Harvard University Press. Chapter 7.

Piketty, Thomas (2014). *Capital in the Twenty-First Century*. Cambridge MA: Harvard University Press. Chapters 10, 11, and 12.

Farhi, Emmanuel, and Iván Werning (2010). “Progressive Estate Taxation.” *Quarterly Journal of Economics*. 125 (2): 635–73.

Piketty, Thomas, and Emmanuel Saez (2013). “A Theory of Optimal Inheritance Taxation.” *Econometrica*. 81 (5): 1851–86.

Boadway, Robin, Emma Chamberlain, and Carl Emmerson (2008). “Taxation of Wealth and Wealth Transfers.” In Institute for Fiscal Studies (editor). *Mirrlees Review: Dimensions of Tax Design*. Chapter 8. Oxford: Oxford University Press.

Mankiw, N. Gregory (2000). “The Estate Tax Is One Death Penalty Too Many.” *Fortune* 142 (5): 76–80.

5. Measuring intergenerational income mobility, October 17th

Solon, Gary (1992). “Intergenerational Income Mobility in the United States.” *American Economic Review* 82 (3): 393–408.

Björklund, Anders and Markus Jäntti (1997). “Intergenerational Income Mobility in Sweden Compared to the United States.” *American Economic Review*. 87 (5): 1009-18.

Haider, Steven and Gary Solon (2006). “Life-Cycle Variation in the Association between Current and Lifetime Earnings.” *American Economic Review*. 96 (4): 1308–20.

Nybom, Martin and Jan Stuhler (2015). “Biases in Standard Measures of Intergenerational Dependence.” July. Unpublished. Available at <https://mileskorak.files.wordpress.com/2015/10/nybom-and-stuhler-standard-measures-of-intergenerational-income-dependence-july-2015.pdf> .

Mitnik, Pablo A., Victoria Bryant, Michael Weber, David B. Grusky (2015). “New Estimates of Intergenerational Mobility Using Administrative Data.” July. Unpublished. Available at <http://www.irs.gov/pub/irs-soi/15rpintergenmobility.pdf>

Chadwick, Laura. and Solon, Gary (2002). “Intergenerational income mobility among daughters.” *American Economic Review*. 92 (1): 335–44.

Ermisch, John, Marco Francesconi, and Thomas Siedler (2006). “Intergenerational Mobility and Marital Sorting.” *Economic Journal*. 116 (July): 659-679.

Güell, Maia, José V. Rodríguez Mora, and Christopher I. Telmer (2015). “The Informational Content of Surnames, the Evolution of Intergenerational Mobility, and Assortative Mating.” *Review of Economic Studies*. 82, 693-735.

6. Intergenerational mobility in theory, October 24th

Becker, Gary S., and Nigel Tomes (1986). “Human Capital and the Rise and Fall of Families.” *Journal of Labor Economics* 4 (3): S1–39.

Becker, Gary S., and Nigel Tomes (1979). “An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility.” *Journal of Political Economy* 87 (6): 1153–89.

Solon, Gary (2004). “A model of intergenerational mobility variation over time and place.” In *Generational Income Mobility in North America and Europe*, edited by Miles Corak. Cambridge; New York: Cambridge University Press. Available at <http://mileskorak.files.wordpress.com/2012/01/solon-a-model-of-intergenerational-mobility-variation-over-time-and-place.pdf> .

Narayan, Ambar, Roy Van der Weide, et al. (2018). *Fair Progress? Economic Mobility across Generations around the World*. Washington, DC: World Bank. Chapters 2 and 3.

7. Trends in intergenerational mobility, October 31st

Chetty, Raj, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner (2014). “Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility.” *American Economic Review*. 104 (5): 141–47.

Lee, Chul-In, and Gary Solon (2009). “Trends in Intergenerational Income Mobility.” *Review of Economics and Statistics*. 91 (4): 766–72.

Chetty, Raj, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang (2017). “The Fading American Dream: Trends in Absolute Income Mobility Since 1940.” *Science*. 356 (6336): 398–406.

Nybom, Martin and Jan Stuhler. 2014. “Interpreting Trends in Intergenerational Mobility.” Swedish Institute for Social Research, Stockholm University. Working Paper 3/2014. http://ideas.repec.org/p/hhs/sofiwp/2014_003.html .

Clark, Gregory (2014). *The Son Also Rises: Surnames and the History of Social Mobility*. Princeton: Princeton University Press.

Solon, Gary (2018). “What Do We Know So Far about Multigenerational Mobility?” *Economic Journal*. 128 (612): F340-F352.

Narayan, Ambar, Roy Van der Weide, et al. (2018). *Fair Progress? Economic Mobility across Generations around the World*. Washington, DC: World Bank. Chapter 4.

8. The geography of intergenerational mobility, November 7th

Chetty, Raj, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. 2014. “Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States.” *Quarterly Journal of Economics*. 129 (4): 1553.

Connolly, Marie, Miles Corak and Catherine Haeck (2018). “Intergenerational Mobility between and within Canada and the United States.” *Journal of Labor Economics*. Forthcoming.

Heidrich, Stefanie. 2017. “Intergenerational Mobility in Sweden: A Regional Perspective.” *Journal of Population Economics*. 30 (4): 1241–80.

9. Intergenerational mobility in theory (again), November 14th

Becker, Gary, Scott Duke Kominers, Kevin M. Murphy, and Jörg L. Spenkuch (2018). “A Theory of Intergenerational Mobility.” *Journal of Political Economy*. Forthcoming.

Durlauf, Steven N., and Ananth Seshadri (2018). “Understanding the Great Gatsby Curve.” In *NBER Macroeconomics Annual 2017*, edited by Martin S. Eichenbaum and Jonathan Parker. Vol. 32. Chicago: University of Chicago Press. (and the Comment by Roland Bénabou, pages 394–406).

Durlauf, Steven N. (1996). “A Theory of Persistent Income Inequality.” *Journal of Economic Growth*. 1 (1): 75–93.

Hassler, John, José V. Rodríguez Mora, and Joseph Zeira (2007). “Inequality and Mobility.” *Journal of Economic Growth*. 12 (3): 235–59.

10. The causal impact of neighbourhoods, November 21st

Chetty, Raj and Nathaniel Hendren (2015). “The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.” Harvard University. May. Unpublished.

<https://mileskorak.files.wordpress.com/2015/10/chetty-hendren-the-impacts-of-neighborhoods-on-intergenerational-mobility.pdf> .

Chetty, Raj, Nathaniel Hendren, and Lawrence F. Katz (2016). “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment.” *American Economic Review*. 106 (4): 855-902.

Sharkey, Patrick (2016). “Neighborhoods, Cities, and Economic Mobility.” *The Russell Sage Foundation Journal of the Social Sciences*. 2 (2): 159–177.

11. Schooling and teachers, November 28th

Chetty, Raj. 2014. “Measuring the Impacts of Teachers, I: Evaluating Bias in Teacher Value-Added Estimates.” *American Economic Review*. 104 (9): 2593–2632.

Chetty, Raj, John N. Friedman, and Jonah E. Rockoff. 2014. “Measuring the Impacts of Teachers, II: Teacher Value-Added and Student Outcomes in Adulthood.” *American Economic Review*. 104 (9): 2633–79.

12. Early years and families, December 5th

Heckman, James J. and Stefano Mosso. 2014. *The Economics of Human Development and Social Mobility*. NBER Working Paper Series 19925. Cambridge, Mass.

Heckman, James J. 2008. “Schools, Skills, and Synapses.” *Economic Inquiry* 46 (3): 289–324.

Duncan, Greg J., and Katherine Magnuson. 2013. “Investing in Preschool Programs.” *Journal of Economic Perspectives* 27 (2): 109–32.

Conti, Gabriella, James J. Heckman, and Rodrigo Pinto. 2015. “The Effects of Two Influential Early Childhood Interventions on Health and Healthy Behaviors.” Working Paper 21454. National Bureau of Economic Research.

<http://www.nber.org/papers/w21454> .

Baker, Michael, Jonathan Gruber, and Kevin Milligan. 2008. “Universal Child Care, Maternal Labor Supply, and Family Well-Being.” *Journal of Political Economy* 116 (4): 709–45.

Baker, Michael, Jonathan Gruber, and Kevin Milligan. 2015. “Non-Cognitive Deficits and Young Adult Outcomes: The Long-Run Impacts of a Universal Child Care Program.” Working Paper 21571. National Bureau of Economic Research.

<http://www.nber.org/papers/w21571> .

Carneiro, Pedro, Løken, and Kjell G. Salvanes. 2015. "A Flying Start? Maternity Leave Benefits and Long-Run Outcomes of Children." *Journal of Political Economy* 123 (2): 365–412.

Narayan, Ambar, Roy Van der Weide, et al. (2018). *Fair Progress? Economic Mobility across Generations around the World*. Washington, DC: World Bank. Chapter 5

13. Labour Markets and intergenerational mobility, December 12th

Oreopoulos, Philip, Marianne Page, and Ann Huff Stevens. 2008. "The Intergenerational Effects of Worker Displacement." *Journal of Labor Economics* 26 (3): 455–83.

Mulligan, Casey B. 1999. "Galton versus the Human Capital Approach to Inheritance." *Journal of Political Economy* 107 (S6): S184–224.

Stinson, Martha and Christopher Wignall. 2014. "Fathers, Children, and the Intergenerational Transmission of Employers." U.S. Department of Commerce, US Census Bureau, The Survey of Income and Program Participation, Working Paper No. 265. <https://www.census.gov/content/dam/Census/library/working-papers/2014/demo/SIPP-WP-265.pdf>.

Corak, Miles, and Patrizio Piraino. 2011. "The Intergenerational Transmission of Employers." *Journal of Labor Economics* 29 (1): 37–68.

Corak, Miles and Patrizio Piraino. 2016. "The Inheritance of Employers and Nonlinearities in Intergenerational Earnings Mobility." In Kaushik Basu and Joseph Stiglitz (editors). *Inequality and Growth: Patterns and Policy*. London: Palgrave Macmillan. Forthcoming. <https://milesorak.files.wordpress.com/2015/10/corak-piraino-the-inheritance-of-employers-and-nonlinearities-in-intergenerational-earnings-mobility.pdf>.

Narayan, Ambar, Roy Van der Weide, et al. (2018). *Fair Progress? Economic Mobility across Generations around the World*. Washington, DC: World Bank. Chapter 6.

14. Social welfare and equality of opportunity

Roemer, John E. and Alain Trannoy (2016). "Equality of opportunity: Theory and measurement." *Journal of Economic Literature*. 54 (4):1288-1332.

Fishkin, Joseph. 2014. *Bottlenecks: A New Theory of Equal Opportunity*. Oxford: Oxford University Press.

Saez, Emmanuel and Stefanie Stantcheva. 2016. "Generalized Social Welfare Weights for Optimal Tax Theory." *American Economic Review*. 106 (1): 24-45.