

# Econ890: Topics in Income and Wealth Distribution

Prof. Lutz Hendricks, UNC, Spring 2021

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The outline consists of lectures (presented by me) and discussions (student presentations with class discussion).

The exact dates are approximate and will change as students decide which papers to present. Feel free to suggest additional papers or topics to add.

## 1 Basic Facts

1-20-Wed: Lecture: [Basic facts about income and wealth distribution](#)<sup>1</sup>

- U.S. inequality over time: rising top incomes and wealth shares, skill premium.
- Brief overview of data sources and limitations.

## 2 Wealth Inequality

Lecture: [Facts and classic models](#). [1-25-Mon]

- Wealth inequality facts.
- [Huggett \(1996\)](#) as a benchmark model.

Lecture: [Wealth distribution: the role of bequests](#) [1-27-Wed]

Lecture: [Wealth distribution: Entrepreneurs](#) [2-1-Mon]

### Discussions:

Rising wealth inequality over time:

- [2-3-Wed] [Hubmer et al. \(2020\)](#): quantitative model to understand sources of rising wealth inequality.
- [Hintermaier and Koeniger \(2011\)](#): quantitative model, identified by matching wealth distribution shape parameters from all SCF years.
- [2-8-Mon] [Kaymak and Poschke \(2015\)](#), [Ales \(2015\)](#): quantitative model; emphasizes role of taxes and wage distribution.

Entrepreneurship:

- [2-10-Wed] [Brüggemann \(2017\)](#): progressive taxation in a model based on [Cagetti and De Nardi \(2006\)](#).

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<sup>1</sup> References are in the slides.

- Imrohoroglu et al. (2018): similar to Brüggemann (2017).

Inheritances and estate taxation:

- [2-15-Mon] Cagetti and De Nardi (2009): studies estate taxation in a model similar to Cagetti and De Nardi (2006).
- Ocampo and Yuki (2006): how important are intergenerational transfers for wealth inequality?
- Kopczuk and Lupton (2007)

Rich earnings processes:

- [2-17-Wed] De Nardi et al. (2018): uses an earnings process estimated from administrative data in a standard life-cycle model.

Rate of return heterogeneity:

- Benhabib et al. (2019): matches data on rates of return from Sweden.
- [2-22-Mon] Kuhn et al. (2020): importance of portfolio composition and rates of return for rising wealth inequality.

Wealth inequality and mobility:

- Gomez (2020): presents data that shed light on the role of mobility for increasing top wealth holdings. Many of the top wealth holders changed identities over time.

### 3 Earnings Distribution

**Lecture: Facts and Classic Papers** [2-24-Wed]

**Discussions:** Models with endogenous earnings distribution:

- [3-1-Mon] Huggett et al. (2011): Ben-Porath human capital model that fits earnings distribution moments over the life-cycle.
- Guvenen and Kuruscu (2010): Ben-Porath human capital model that fits earnings distribution moments over time.
- [3-3-Wed] Guvenen et al. (2020): Matching of worker skills to job characteristics.
- Silos and Smith (2015): Matching of worker skills to jobs.
- [3-8-Mon] Bhattacharya et al. (2013): Investments in managerial skills.
- Hubmer (2018): A model of job ladders.
- If there are more papers, let's discuss them, but I cannot find them. A big opening in the literature.

Human capital and knowledge:

- Akcigit et al. (2020): a model of career choice; studies how human capital and knowledge (R&D) interact.

This is another topic on which surprisingly little has been written.

Intergenerational transmission of human capital:

- [3-10-Wed] Lee and Seshadri (2018) a model of investment in children.
- Herrington (2015): public education financing affects intergenerational mobility.

Cross-country differences:

- [3-15-Mon] Guvenen et al. (2013): Ben-Porath human capital model. Taxes explain cross-country differences.
- Lagakos et al. (2018): Cross-country differences in experience profiles.
- Guner et al. (2018): Investments in managerial skill.

Tasks and automation:

- Acemoglu and Restrepo (2017)
- Acemoglu and Restrepo (2018)
- Acemoglu and Restrepo (2019)

International trade?

## 4 Rising and Taxing Top Incomes

**Lecture: Facts and stories.** [3-17-Wed]

- World Top Incomes DataBase
- Facts: Alvaredo et al. (2013), Piketty and Saez (2014), Guvenen and Kaplan (2017)
- International: Hoffmann et al. (2020)
- Understanding top incomes:
  - rising return to “skill”: Kaplan and Rauh (2013) presents evidence that rise in top incomes is broad based; top businesses are typically not inherited.
  - CEO pay: Bivens and Mishel (2013) argue that rising CEO pay reflects rents and should be taxed.
  - superstars: Rosen

- Taxing top incomes:
  - [Diamond and Saez \(2011\)](#): framework for thinking based on elasticities; very useful.
  - [Piketty et al. \(2014\)](#): mostly useful for evidence about behavioral responses and costs of redistribution.
- The normative question of how to tax people:
  - [Mankiw \(2013\)](#): a thoughtful discussion of different principles and their flaws.

**Discussions:** Rising top incomes: Theory.

- [3-22-Mon] [Gabaix et al. \(2016\)](#): theoretical notes on how rapidly rising top incomes can be generated to match the evidence.
- [Gabaix and Landier \(2008\)](#): rising CEO pay reflects increasing firm sizes and is efficient.

Taxing top earners: Theory.

- [3-24-Wed] [Badel and Huggett \(2017\)](#): an extended elasticity formula for the revenue maximizing top tax rate; tested against a human capital model.

Taxing top earners: Superstar models.

- [3-29-Mon] [Guner et al. \(2016\)](#), [Krueger and Kindermann \(2020\)](#): both are models with high top income states, but their implications for optimal top marginal tax rates are very different.

Taxing top earners: Human capital

- [Badel et al. \(2020\)](#): a human capital model to evaluate the optimal top marginal tax rate.

Taxing top earners with entrepreneurship: see Section [Section 2](#) on Wealth Inequality.

## 5 Effects of Taxation

**Discussions:** Taxation and innovation.

- [3-31-Wed] [Jones \(2019\)](#): optimal taxation when productivity is due to R&D.
- [Akcigit et al. \(2018\)](#): empirical evidence that innovations is responsive to tax incentives.
- [4-5-Mon] [Akcigit and Stantcheva \(2020\)](#): a survey.

Taxation and human capital:

- [Krueger and Ludwig \(2016\)](#)

Taxation and labor supply:

- [4-7-Wed] [Erosa et al. \(2012\)](#)
- [Laun and Wallenius \(2016\)](#)

Taxation and growth.

- [Jaimovich and Rebelo \(2017\)](#): nonlinear effects of taxes on growth.

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