

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

## 1 Basic Facts

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 Earnings Distribution

Lecture: Facts and Classic Papers

- Rising skill premium: [Katz and Murphy \(1992\)](#).
- SBTC and the race between education and technology ([Goldin and Katz, 2008](#)).
- Labor market polarization: [Autor and Dorn \(2013\)](#), [Acemoglu and Restrepo \(2019\)](#)
- Models with exogenous earnings processes: [Huggett \(1996\)](#), [Castaneda et al. \(2003\)](#)
- RIP and HIP: [Guvenen \(2007\)](#)
- Administrative earnings data: [Song et al. \(2019\)](#)

Discussion:

- Models with endogenous earnings distribution:
  - [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.
  - [Guvenen et al. \(2020\)](#): Matching of worker skills to job characteristics.
  - If there are more papers, let's discuss them, but I cannot find them. A big opening in the literature.
- Human capital and knowledge:

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

- Akcigit et al. (2020): a model of career choice; studies how human capital and knowledge (R&D) interact.
- Cross-country differences:
  - Guvenen et al. (2013): Ben-Porath human capital model. Taxes explain cross-country differences.
- International trade.

### 3 Rising and Taxing Top Incomes

Lecture: Facts and stories.

- World Top Incomes DataBase
- Facts: Alvarado et al. (2013), Piketty and Saez (2014), Guvenen and Kaplan (2017)
- 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.

Discussion:

- Rising top incomes: Theory.
  - 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.
  - 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.
  - [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.
  - [Badel and Huggett \(2014\)](#): a human capital model to evaluate the optimal top marginal tax rate.
- Taxing top earners with entrepreneurship: see Section [Section 4](#) on Wealth Inequality.
- Taxing top earners: innovation.
  - [Jones \(2019\)](#): optimal taxation when productivity is due to R&D.
  - [Akcigit et al. \(2018\)](#): empirical evidence that innovations is responsive to tax incentives.
  - [Akcigit and Stantcheva \(2020\)](#): a survey.

## 4 Wealth Inequality

Lecture: Facts and classic models.

- [Fagereng et al. \(2016\)](#): question the accuracy of the [Piketty and Saez \(2014\)](#) inference from tax returns for top wealth holdings. Uses administrative data from Norway. Also document heterogeneity in rates of return.
- Surveys: [De Nardi and Fella \(2017\)](#), [Benhabib and Bisin \(2018\)](#).

Discussion:

- Rising wealth inequality over time:
  - [Hubmer et al. \(2019\)](#): 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.
  - [Kaymak and Poschke \(2015\)](#), [Ales \(2015\)](#): quantitative model; emphasizes role of taxes and wage distribution.
- Entrepreneurship:
  - [Cagetti and Nardi \(2006\)](#): benchmark model of entrepreneurship, bequests, and wealth distribution on which much of the subsequent literature builds.
  - [Brüggemann \(2017\)](#): progressive taxation in a model based on [Cagetti and Nardi \(2006\)](#).
  - [Imrohoroglu et al. \(2018\)](#): similar to [Brüggemann \(2017\)](#).
- Inheritances and estate taxation:
  - [Cagetti and De Nardi \(2009\)](#): studies estate taxation in a model similar to [Cagetti and Nardi \(2006\)](#).

- Rich earnings processes:
  - [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.
  - [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.

## 5 References

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