

Washington Center for Equitable Growth Grantees for 2014

July 24, 2014

Here is a short description of each of the 15 grants awarded by the Washington Center for Equitable Growth to accelerate cutting-edge analysis into whether and how structural changes in the U.S. economy, particularly those related to the distribution of wealth and the provision of opportunity, affect economic growth.

Human capital

“Economic inequality and the stalled progress toward gender equality”

Philip Cohen, Professor of Sociology, University of Maryland and
Meredith Kleykamp, Associate Professor of Sociology, University of Maryland

Total for two years: \$60,000

Women’s participation in the formal economy increased for decades after the 1960s but stalled in the late 1990s. Researchers aren’t sure why this happened, but professors Cohen and Kleykamp propose one possible answer: rising inequality. As income inequality has increased, the pay-off to investing in children has increased as well, making it more attractive to have one parent stay at home—usually the mother. Rising work hours among women has had a large effect on economic growth. U.S. gross domestic product in 2012 would have been 11 percent lower if not for the rising working hours of women. If Cohen and Kleykamp’s hypothesis is right, then rising inequality has held back women’s entrance into the labor market and significantly slowed down American economic growth.

“Inequality at home: The evolution of class-based gaps in young children’s home environments and pre-school age skills from 1986-2012”

Ariel Kalil, Professor, Harris School of Public Policy, University of Chicago,
Greg Duncan, Distinguished Professor of Education, University of California-Irvine, **Rebecca Ryan**, Assistant Professor of Psychology, Georgetown University,
Sean Reardon, Professor of Education and Sociology, Stanford University,
Kathleen M. Ziol-Guest, Research Associate Professor, New York University

Total for two years: \$97,860, co-funded with the Russell Sage Foundation

Researchers increasingly point out the importance of a child's early years for the development of skills that will help them succeed later in life. Much of this scholarship focuses on the importance of cognitive skills, such as reading, but the development of non-cognitive skills, such as motivation and interpersonal skills, is also critical. These five researchers will look at how inequality across home environments affects the development of these non-cognitive skills. This channel could have major consequences for the life prospects of children, as economic inequality across families may be magnified for the next generation. Understanding these differences is vital to improving the prospects for disadvantaged children and the growth prospects for our economy.

"School finance reform and educational equity"

Jesse Rothstein, Associate Professor of Economics, University of California-Berkeley

Total for two years: \$60,000

Improving school quality is a well-established way to improve student learning. But one specific approach is understudied: school finance reform. This project will examine state-level school finance reforms, intended to increase funding for schools serving poor children, over the past several decades. If school financing matters, then reforms that equalize funding will also tend to equalize student achievement across districts. This researcher will study the effects of these reforms on the absolute and relative test scores of students in low-income school districts. Policymakers can then understand if these reforms boost overall scores as well as reduce the inequality of outcomes.

Consumer demand

"Financial innovation to reduce inequality and promote equitable growth"

Michael Barr, Professor of Law and Public Policy, University of Michigan

Total for one year: \$20,000

If policymakers want to help low- and medium-income families pay down their debt, we need to better understand how families manage their debt and debt payments. This research will look at the different strategies families take to handle debts, including the tactic of "debt juggling," where households pay just enough to avoid going into collection but make no progress in paying off the debts. The research will subsequently look at how policies informed by behavioral economics could help improve families' debt management strategies.

“Measuring the effects of debt forgiveness”

Will Dobbie, Assistant Professor of Economics and Public Affairs, Princeton University

Total for 18 months: \$79,000

In the aftermath of the Great Recession, U.S. policymakers and the public are more aware than ever of the dangers of large increases in private debt. But we are now left with a considerable amount of debt that many households can't even begin to dig out from under, which not only holds back consumption but also drastically increases wealth inequality. Many analysts recommend partial debt forgiveness as a way of helping households better handle their debt loads. This research, which includes the compilation of a brand-new data source, will help economists evaluate debt-relief programs that have implications for tax policy, housing finance, and student loan concessions.

“Wealth, income, and consumption: a microeconomic approach to a macroeconomic question”

Timothy Smeeding, Distinguished Professor of Public Affairs, University of Wisconsin, **Jonathan Fisher**, U.S. Census Bureau, **David Johnson**, Bureau of Economic Analysis, Department of Commerce, and **Jeffrey Thompson**, Federal Reserve Board of Governors

Total for 18 months: \$49,509

These four researchers will investigate how inequality in the distribution of income and wealth impacts consumption, a major component of economic growth. Specifically, they will create a new dataset that will help them and other researchers explore these questions. They will look at how disparities in income and wealth have affected decisions about consumption and saving since the beginning of the Great Recession in 2009. The results will be important for growth modeling, for determining how inequality affects economic growth, and for understanding the differences in who has benefited from recent patterns of income growth in the economy.

Government and labor market institutions

“From economic growth to decent jobs and middle class prosperity: Post-1979 U.S. employment performance in international perspective”

David Howell, Professor of Economics and Public Policy, The New School

Total for 18 months: \$39,000, co-funded with the Russell Sage Foundation

Labor market institutions differ substantially across developed nations, and the result is a fair amount of variation in the quality of jobs created. This research will shed light

on how economic growth translates into high-quality jobs characterized by decent wages and stability, or, in simple terms “good jobs.” The research will provide a detailed exploration of the quantity and quality of American employment growth since 1979 by economic sector, occupation and demographic group. It will conduct similar in-depth work on two other wealthy, large, and diverse countries, Canada and France, as well as a cross-country analysis of approximately 25 countries aimed at the same objective. The research will facilitate more nuanced comparisons between policy progress in the United States versus that of other developed nations.

“Inside monopsony: a mixed methods approach to understanding how labor standards shape employment practices in the restaurant industry”

William Lester, Assistant Professor of City and Regional Planning, University of North Carolina

Total for one semester: \$14,000

This research will look at how regional variations in labor market regulations influence the types of businesses that locate in those regions, and the employment practices of those businesses. The analysis will focus on San Francisco, which has relatively comprehensive locally enforced labor standards, and the North Carolina Research Triangle, which lacks strong labor standards. This research project seeks to understand how locally-enacted labor standards that aim to reduce inequality reshape the structure of work in low-wage industries, with a specific focus on the restaurant industry.

“Schedule stability for hourly workers – Phase I of II”

Joan Williams, Distinguished Professor of Law, University of California Hastings

Total for one year: \$40,000

This research will investigate the interaction of business time-scheduling policies and changing family structures. Unpredictable work hours, more common among low-wage workers, may reduce worker productivity and thus economic growth. In conjunction with at least one corporate partner, the researchers will test the impact of effective scheduling systems on employees via a controlled intervention. They will divide workers into groups, with certain groups receiving greater control over their schedules, and then examine the resulting absenteeism and attrition rates for each group. The research will test the hypothesis that an improved work-life fit will lead to greater job satisfaction for hourly workers, who will in turn be less likely to leave their jobs when family obligations interfere with their schedule, and ultimately will result in enhanced economic security for these workers. At the same time, the research will explore whether employers who

implement scheduling practices that improve work-life fit are able to retain experienced employees who are more productive than newly-hired employees.

Young scholars

(These grantees are funded at \$15,000 for one year)

“Can reforms to public and private credit provisions bolster social insurance and promote more equitable growth?”

Pascal Noel, graduate student in Economics, Harvard University

Rising inequality has two implications for individuals’ ability to rebound from temporary setbacks and contribute to economic growth: poorer households don’t have savings to fall back on during temporary income losses and richer households are able to self-insure and find social insurance programs less valuable. This research will investigate whether and how credit policies could help lower-income individuals better weather shocks and contribute to economic growth.

“The impact of need-based financial aid reform on the decision to attend college”

Shayak Sarkar and **Ryan Sakoda**, graduate students in Economics, Harvard University

Low-income students disproportionately attend for-profits colleges and universities where low graduation rates and high levels of student debt are common. This research will utilize administrative data to test whether new rules that require graduation and debt standards change matriculation at for-profits schools.

“The effects of a progressive tax system on innovation and growth”

Stefanie Stancheva, graduate student in Economics, Massachusetts Institute of Technology

This research will examine the implications of tax structures for inequality and growth, focusing on innovation. The researcher will investigate this question by looking at cross-national differences in tax policy and innovation.

“The American taxpayer project”

Vanessa Williamson, graduate student in Government and Social Policy, Harvard University

This research will explore political support for different kinds of tax structures. Better understanding tax preferences is key to better understanding the range of possible tax policies and their contribution to inequality and growth.

“Inequality and fiscal balance: Is U.S. capital income actually taxed and why?”

Danny Yagan, post-doctoral researcher in Economics, University of California-Berkeley

This research will look at how the wealthy re-label income and wealth to avoid taxes. This study will help us better understand the distribution of wealth and income at the very top of the distribution, as well as the implications of mislabeling for capital accumulation and economic growth.

“Declining labor shares and the relative price of investment: evidence from state investment tax credits”

Owen Zidar, assistant professor of Economics (as of Fall 2014), University of Chicago Booth School of Business

This research will explore the changing distribution of income between labor and capital. The project will look specifically at how tax policy focused towards investment may be responsible for the shift of income from labor to capital by looking at differences across states. The shift in the capital-labor distribution is critically important for understanding not just economic inequality, but growth as well.

Our Mission

Accelerate cutting-edge analysis into whether and how structural changes in the U.S. economy, particularly related to economic inequality, affect economic growth.

Washington Center
for Equitable Growth