

Washington Center for Equitable Growth Grantees for 2015

August 11, 2015

The Washington Center for Equitable Growth is pleased to announce our 2015 grantees. Equitable Growth will award 24 grants for projects that analyze whether and how structural changes in the U.S. economy affect economic growth. Equitable Growth awarded a total of \$784,000 in grants this year, with an additional \$49,800 in co-funding from the Ewing Marion Kauffman Foundation. This builds upon Equitable Growth's 2014 grantmaking, which totaled \$541,000, with an additional \$68,000 in co-funding from the Russell Sage Foundation.

The 2015 grants are directed at four categories of research:

- Human capital development across the generational arc
- Household balance sheets and macroeconomic stability
- Governance
- Innovation, invention, and creativity

The following is a list of the projects and principle investigators who were awarded grants in each research category. Equitable Growth has two funding streams, academic and doctoral, both of which are included below.

Human capital development across the generational arc

"Long-Run Earnings Mobility and Earnings Inequality:
Evidence from SIPP Linked Administrative Earnings Data"

Michael Carr, Assistant Professor of Economics, University of Massachusetts-Boston

Emily Wiemers, Assistant Professor of Economics, University of Massachusetts-Boston

Total for two years: \$40,000

Has rising income inequality affected income mobility over the course of a working lifetime? This research project will uncover what has happened to earnings mobility during the era of rising earnings inequality, and will explore the underlying causes driving those

shifts. The researchers will use an underexploited dataset from the Survey of Income and Program Participation program to estimate long-run intragenerational earnings mobility trends, with particular attention to differences in trends by race, gender, and education. They will estimate how much various key changes in the labor force—shifts in demographics, human capital, and returns to skills—have contributed to the mobility trends. This research will help researchers understand the relative importance of different factors to higher earnings mobility over a lifetime.

“Substitution and the Skill Premium”

Ezra Oberfield, Assistant Professor of Economics, Princeton University

Devesh Raval, Economist, Federal Trade Commission

Total over one and half years: \$25,000

Economic inequality research has long focused on household income and wealth or individual earnings. Recent evidence suggests that the share of total income is increasingly diverting from labor to capital. Yet the reasons for the declining labor share of income are not yet clear. This project examines several potential causes for this decline, particularly looking at differences in skills among workers and how those skill differences affect firms’ decisions about production.

“The Consequences of Tougher Sentencing and the Prison Boom: Recidivism, Human Capital Accumulation, and Intergenerational Effects”

Armin Rick, Assistant Professor of Economics, Samuel Curtis Johnson Graduate School of Management, Cornell University

Derek A. Neal, Professor, Economics Department and Committee on Education, University of Chicago

Total over one and a half years: \$35,000

This project examines the effect of incarceration on various outcomes, including recidivism, human capital accumulation, employment, and earnings. The authors will do so using a natural experiment leveraging variation in sentencing outcomes due to differences between randomly assigned judges. Taking advantage of the considerable administrative data capacities of University of Chicago’s Chapin Hall, the authors aim to make novel contributions extending well beyond the current literature, which largely relies on survey data. This research will address critical questions such as the flat lining of male labor force participation, and the importance of the prison boom in driving the black/white wage gap.

"Inequality of Economic Precarity and Uncertainty and Family Formation and Instability"

Daniel Schneider, Assistant Professor of Sociology, University of California-Berkeley

Kristen Harknett, Associate Professor of Sociology, University of Pennsylvania

Total over one and a half years: \$75,000

Economic inequality and family insecurity have risen in the United States over the past several decades. The interaction between the two phenomena is a matter of debate, as many researchers and policymakers have pointed to family structure, particularly non-marital childbirth, as a key source of rising economic inequality. But what if the relationship went the other way, and rising inequality and economic insecurity were themselves causes of family insecurity? The researchers tackle this question by looking at individual families and their evolution over time. Family instability has major implications for the development of human capital, which in turn feeds directly into long-term economic growth prospects.

"The Impact of Inequality on Young Workers' Career Progression"

Till von Wachter, Associate Professor of Economics, University of California-Los Angeles

Total over one year: \$45,000

Research shows that a worker's first few years in the labor force have outsized effects over their entire lifetime earnings trajectory. This project will look at how earnings, employment, and job transitions have changed for young workers over the past three decades. The researcher will also look at how rising income inequality affects career outcomes.

"College and Intergenerational Mobility: New Evidence from Administrative Data"

Danny Yagan, Assistant Professor of Economics, University of California-Berkeley

Total over one year: \$28,000

Many argue that higher education is one of the best ways to increase intergenerational mobility. Students from lower-income backgrounds can move up the income ladder if they attend the right college or university. But how equal is access to those schools? If qualified low-income students aren't attending the schools that provide the most opportunity, then the college attendance process may be retarding upward economic mobility. This research project will look at the role of colleges and universities in transmitting income inequality into the next generation. Using gold-standard restricted-access tax data, the author will identify where students from across the income distribution attend college, and which colleges are improving the economic standing of students up and down the income ladder.

“The Military and Incarceration: Hidden Mechanisms of Racial Inequality in the U.S. Labor Market, 1980-2010”

JooHee Han, Department of Sociology, University of Massachusetts-Amherst

One year doctoral grant: \$15,000

This project will study the rise of mass incarceration in relation to military downsizing. The authors will determine whether the military-penal crossover, occurring in the 1990s and continuing through the present, has reinforced racial inequality in the labor market, with blacks experiencing more incarceration while decreasingly enlisting in the military.

“Inheriting Inequality: Wealth Transfers and Racial Wealth Gaps”

Janelle Jones, Sanford School of Public Policy, Duke University

One year doctoral grant: \$15,000

Over the past three decades, both wealth inequality and the racial wealth gap have increased significantly. Research shows that inheritances, bequests, and intrafamily transfers account for more of the racial wealth gap than any other demographic and socioeconomic indicators, including education, income, and household structure. This project will examine the significance of intergenerational transfers on wealth inequality overall, and the racial wealth gap specifically, to identify policies that address growing inequality throughout the wealth distribution.

“School-to-Work Transitions and Wage Outcomes of Texas Populations from Colonias and Model Subdivisions”

Carlos Olmedo, LBJ School of Public Affairs, University of Texas-Austin

One year doctoral grant: \$15,000

This project will study the school-to-work transitions and subsequent earnings of Texas high school students. This project will focus on some of Texas’ most socially and economically excluded populations—those living in substandard housing settlements found in unincorporated areas outside Texas border cities. This research will shed light on the efficacy of potential education and workforce interventions to assist impoverished student populations.

Household balance sheets and macroeconomic stability

“Big Data and the Labor Market: A Text-Based Analysis of Job Vacancies and Skill Requirements”

Enghin Atalay, Assistant Professor of Economics, University of Wisconsin-Madison

Sebastian Sotelo, Assistant Professor of Economics, University of Michigan-Ann Arbor

Daniel Tannenbaum, Postdoctoral Research Fellow, Becker Friedman Institute at the University of Chicago

Total over two and a half years: \$43,000

The polarization of the labor market into high- and low-skill jobs is one of the most popular explanations for the increase in income inequality. This project will explore how much skill polarization actually happened by creating a novel new dataset of job openings by skill level spanning multiple decades. The researchers will create these data by mining the text of job advertisements in newspapers and online job sites. The new data will help researchers better understand the change in skill requirements for jobs over the long run, as well as changes during recoveries and economic expansions. This research will improve our understanding of how inequalities in human capital contribute to broader economic inequality.

“What Can 5 Million Households Tell Us about the Impact of Credit Access on Job Finding and Wage Inequality?”

Kyle Herkenhoff, Assistant Professor, University of Minnesota

& Visiting Scholar, Federal Reserve Bank of Minneapolis

Gordon Phillips, Charles E. Cook-Community Bank Chair of Finance & Professor of Finance and Business Economics, University of Southern California Marshall School of Business

Total over one year: \$54,000

This project will bring together macroeconomic theory and large-scale microeconomic datasets to advance modern economics and inform monetary and public policy. Using employment records merged to credit reports, the authors will estimate the impact of credit access on the job-finding rates and re-employment earnings of displaced workers. Past research has examined the borrowing and credit use of the unemployed, and this study builds on that line of work to examine the direct impact of credit on future outcomes. In preliminary results, the authors find that credit access increases the time before re-employment, but also increases average salary once a new job is found. This work will develop a search model capable of explaining these new findings.

“Household Debt, Municipal Debt and Aggregate Demand”

Arjun Jayadev, Associate Professor of Economics, University of Massachusetts-Boston

Josh Mason, Assistant Professor of Economics, John Jay College, City University of New York

Total over one year: \$45,000

The researchers will use an historical accounting methodology, established in earlier work, to examine the extent to which changes in household leverage have contributed to shifts in aggregate demand over the past 80 years. They will expand this accounting framework to analyze municipal debt—both an important asset in financial markets and a critical source of finance for local public goods. The results and underlying data will likely provide new evidence on how debt affects the macroeconomy and will have implications for monetary policy as well as policy responses to levels of private and public leverage.

“Impact of the Great Rise in Finance on Resource Allocation and Employment”

Atif Mian, Theodore A. Wells '29 Professor of Economics and Public Affairs,

Princeton University

Amir Sufi, Chicago Board of Trade Professor of Finance, Booth School of Business, University of Chicago

Total for one year: \$60,000

The authors will investigate how large increases in household debt affect the allocation of labor across geographical areas and industries. This project is a continuation of their previous research on household debt, and will result in the creation of a new historical county-level panel of household balance sheets and industry-specific employment—a harmonized data set (1946-2012) that will be available to other researchers. A second contribution is a test of whether the run-up in debt led to imbalances in employment, a corollary to the findings in Mian and Sufi (2014) about employment shocks during the Great Recession. A better understanding of the interaction between household debt and structural changes in the allocation of labor could help researchers better identify and understand the root causes behind the labor market slowdown.

“Inequality, Aggregate Demand, and Secular Stagnation”

Adrien Auclert, Department of Economics, Stanford University, visiting

Princeton 2015-16

One year doctoral grant: \$15,000

Over the past two years, “secular stagnation” has been widely discussed within the policy community. Supporters of the secular-stagnation hypothesis believe that demand may

be permanently below supply capacity, with low interest rates and inflation targets by central banks preventing real interest rates from falling to the point necessary to restore the supply and demand balance. Widening income inequality has been cited as one cause of secular stagnation. This project will develop a theoretical model to illuminate how income inequality affects aggregate income and therefore economic growth. The model has important implications for economic policy, particularly monetary policy.

“Student Loans: Vehicle of Opportunity or Trojan Horse?”

Stephanie Chapman, Department of Economics, Northwestern University

One year doctoral grant: \$15,000

How does the dramatic increase of student loan debt affect how college graduates search for jobs in the labor market? Do the effects of student debt on job search differ across the distribution of family income? This project addresses these important questions, with immediate implications for contemporary policy conversations about student debt reform, as well as the broader fate of Millennials in the labor market.

“Intragenerational Income Mobility in the United States”

Jacob Mortenson, Department of Economics, Georgetown University

One year doctoral grant: \$15,000

Using federal income tax data, this project will investigate intragenerational income mobility in the United States. The researchers will explore the determinants of mobility—such as aging, employment history, industry trends, marriage or divorce, and geographical mobility—and examine how household income profiles respond to earnings shocks.

“Financial Behavior and Uncertain Tax Refunds: A New Test of Precautionary Saving among Low-Income Households”

Scott Nelson, Department of Economics, Massachusetts Institute of Technology

One year doctoral grant: \$15,000

This research seeks to better understand how readily low-income households spend an extra dollar of income by utilizing a novel quasi-experimental design based on the uncertainty of tax refunds. A better understanding of the marginal propensity to consume at the bottom of the income distribution has important implications for the design of fiscal stimulus and unemployment insurance systems, as well as the tax system.

Governance

“Harvest of Struggle: Tracking Inequality through First Contract Gains for Low-Wage Workers”

Kate Bronfenbrenner, Director of Labor Education Research, Cornell University

Total over one year: \$45,000

This project will quantify the gains that low-wage workers make via union membership, not only in terms of wages but also benefits, health and safety protections, grievance procedures, training, and work flexibility and regularity. Utilizing a database of first contracts gained under collective bargaining agreements, the researcher seeks to provide a broader view of unionization’s benefits which fully captures the human capital implications. In addition, this project focuses on women, workers of color, and low-wage workers, which the vast majority of the contemporary research on unions and labor market outcomes does not capture. Low-wage workers are disproportionately at the bottom of the income scale, and account for a significant share of the growth in income inequality. Understanding the diverse consequences of organizing and collective bargaining may provide insights into how and why inequality has grown.

“Political Inequality and Financial Rulemaking: A Collaborative Empirical Project for the Production of Data”

Daniel Carpenter, Allie S. Freed Professor of Government at Harvard University and Director of the university’s Center for American Political Studies, Faculty of Arts and Sciences, and Director of Social Sciences Academic Ventures, at Harvard’s Radcliffe Institute for Advanced Study

Total over two years: \$75,000

This project will undertake a quantitative, rigorous assessment of financial regulation in the United States, an underdeveloped area of research within the social sciences. While there is an extensive literature on regulatory politics, the focus on financial regulation has eluded many political scientists (and most economists as well). Moreover, research on the effects of unequal influence has largely focused on representation and legislation, with minimal attention paid to the final, critical step of rulemaking in the “sausage factory” of policymaking. This project will create a new database on financial rulemaking covering the past three decades, with a particular focus on the pre- and post-Dodd Frank Act. The dataset will be publically available and include rules changes, comments, and linkages of these variables to financial enforcement and appointments data. The possibilities for influencing the rules through lobbying of various sorts are enormous and may significantly contribute to economic inefficiencies, rent seeking, and inequality, which in turn have implications for growth.

“Fiscal Inequality and Local Economic Development Policies”

Nathan Jensen, Associate Professor, Department of International Business,
George Washington University

Total for one year: \$10,800

The Ewing Marion Kauffman Foundation will co-fund this project.

U.S. states and municipalities have increasingly granted targeted financial incentives to individual firms, arguing that upfront investments by governments will lead to job creation and increased tax revenues. Yet such policies increase inter-firm inequality by targeting a subset of firms while excluding others, and can distort local economic development by shifting scarce resources to individual firms. This project will explore the implications of these policies for state and local communities—including their effects on the distribution of tax burdens, budgets, and income inequality—through data collection aimed at documenting changing patterns of government spending and taxation across U.S. cities and states.

“Schedule Stability for Hourly Workers”

Joan C. Williams, Distinguished Professor of Law and Hastings Foundation Chair,
University of California-Hastings, College of the Law

Total for one year: \$40,000

Through an intervention with the major U.S. retailer, The Gap, this project tests whether shifting hourly workers to more stable, predictive schedules, and providing them with additional hours result in cost savings and increased productivity for businesses. In the first year of work, Williams and her team made significant progress, including the launch of a pilot program that will test schedule-stabilizing practices to inform the larger intervention.

“The Evolution of the Federal Reserve’s Inflation Target”

Samir Sonti, History Department, University of California, Santa Barbara

One year doctoral grant: \$15,000

This project seeks to better understand the Federal Reserve’s efforts to identify and achieve an inflation target. Through a historical study, the author will determine and analyze periods in which the Fed prioritized stimulating growth and maximizing employment, versus the periods when it instead sought to control inflation. As the national debate over the U.S.

Federal Reserve's dual mandate continues, this novel historical perspective has the potential to inform the conversation on a fundamental economic institution in important ways.

"State Legislative Political Polarization and Income Inequality in the United States"

John Voorheis, Department of Economics, University of Oregon

One year doctoral grant: \$15,000

Political polarization and income inequality have both been on the rise since the 1980s. This project will explore whether increases in state-level income inequality within the United States have led to increases in nation-wide polarization. The researchers will explore to what extent changes in state-level inequality affect the ideological positions of parties within state chambers, as well as the median ideological positions of overall chambers.

Innovation, invention, and creativity

"Minority Entrepreneurship and Economic Disparities:
Revisited from a Development Perspective"

Qingfang Wang, Associate Professor, School of Public Policy, University of California-Riverside

Total over two years: \$78,000

The Ewing Marion Kauffman Foundation will co-fund this project.

Innovation and entrepreneurship have long been strengths of the U.S. economy. But the experiences of entrepreneurs vary dramatically. In particular, race, ethnicity, and gender may play a significant role in shaping these experiences. This project will look at the differences among businesses owned by individuals of different racial and ethnic groups, as well as women-owned businesses. The researchers will look at business survival, business size, profits, and innovation activities. They will also seek to understand how these variations interact with and are influenced by the regional characteristics in which the businesses operate. Understanding the underlying factors that influence successful entrepreneurship is key for boosting innovation and future economic growth.

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