



Washington Center for Equitable Growth Grantees for 2018

July 2018

Wealth taxation and evasion: Quasi-experimental evidence from Colombia

Juliana Londoño-Vélez Ph.D. candidate in Economics at the University of California, Berkeley

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This study leverages administrative data from Colombia to estimate the impact of wealth taxes on reported wealth and on the use of tax-evasion strategies. In addition, Londoño-Vélez examines the impact of the Panama Papers, which sparked a change in public knowledge about tax evasion, on reported wealth. These results will help establish an evidence base on which to make the case for reforms to the taxation of capital income, and inform academics and policymakers on the appropriate role of wealth taxation in that mix.

Automation threat and wage bargaining

Antoine Arnoud Ph.D. candidate in Economics at Yale University

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This study proposes a novel mechanism through which automation in the labor market might have an impact on wages through the threat, rather than the actuality, of automation, which threatens to significantly change the structure of the labor market. Despite widespread popular accounts of a future where few work, the literature is more circumspect. How automation will affect both the demand for labor and wages is an important area of study. The project will build a model of bargaining over wages and the automation threat, and empirically test the impact of this threat using employer-employee matched data in the United Kingdom. Using heterogeneity of firms, Arnoud will identify occupations that are vulnerable to automation and look at firms that have yet to automate, implying the existence of the threat of automation. Arnoud will further investigate the extent to which this threat channel is mediated by the bargaining power of workers due to other institutional features.

Race, entrepreneurship, and urban revitalization

Candace Miller Ph.D. candidate in Sociology at the University of Virginia

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This research project tackles questions about how gentrification-driven property redevelopment impacts black-owned businesses compared to white-owned businesses. Gentrification studies have largely ignored businesses in favor of examining residences, but commercial enterprises play a key role in shaping neighborhood conditions. Focusing on Detroit, this sociological study combines an analysis of the U.S. Census Bureau's Survey of Business Owners with qualitative interviews and archival research to analyze how black-owned businesses' growth, inclusion, and access to resources compares to that of white-owned businesses during periods of local redevelopment.

Economic impacts of mentoring for disadvantaged youth: RCT evidence

Alex Bell Ph.D. candidate in Economics at Harvard University

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project investigates what role mentoring can play in economic mobility for disadvantaged youth. To answer the question, Bell plans to link tax records to a dataset of youth applicants to a Big Brothers Big Sisters youth mentoring program. Early economic thinking on the intergenerational perpetuation of disadvantage focused primarily on financial channels. Recent work, however, including some funded by Equitable Growth, has highlighted the importance of childhood environments as a key determinant of success. An initial study found significant positive social outcomes among youth who received mentorship at the close of the 18-month Big Brothers Big Sisters program. Outcomes of interest include college attendance, income and employment, teenage birth, incarceration, and reliance on government assistance. This project will build on Bell's earlier work with [Chetty et al.](#) that shows children who grow up near inventors are not only more likely to become inventors, but also are more likely to invent in similar technologies. A better understanding of the role of social exposure will help identify mechanisms of mobility.

Posted wage rigidity

Jonathon Hazell Ph.D. candidate in Economics at the Massachusetts Institute of Technology

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This study will look at a key statistic for understanding wage rigidity: the rigidity of the wages of new hires. Theoretically, the wage level of new hires is important for making sense of variations in hiring across the business cycle. But there isn't much empirical research on this statistic. Hazell is using data from online job vacancy postings to build a statistic that accounts for the changing composition of posted jobs as the labor market slackens and tightens.

The effects of paid sick leave on workers' earnings dynamics: Evidence from Seattle

Hilary Wething Ph.D. candidate in Public Policy and Management at the University of Washington

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project proposes to utilize administrative data from Washington state to study the impact of Seattle's paid sick time ordinance on three specific research questions. First, how has the ordinance impacted earnings, hours, employment levels, and earnings volatility of workers covered by the new paid sick time law? Second, what share of worker volatility is due to within-job volatility (volatility due to changes in hours) versus between-job volatility (volatility from job turnover) as a result of the paid sick time ordinance? Third, do the above effects vary for workers in different firms, industries, firm sizes, and wage-rate employment subgroups? This work will add to what we know about the impacts of mandated employer-provided paid sick leave, including illuminating whether employer-mandated paid sick leave has employment effects and on whom. Wething's study of earnings volatility has the potential to provide important evidence on the mechanism through which paid sick leave is impacting employment outcomes, including whether and how this might impact worker well-being and firm productivity.

Minimum wages and racial inequality

Claire Montialoux Ph.D. candidate in Economics at the Center for Research in Economics, École Polytechnique, and Visiting Ph.D. candidate, University of California, Berkeley

Ellora Derenoncourt Ph.D. candidate in Economics at Harvard University

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project will research how effective basic and universal labor standards are at reducing group inequality by looking at a major amendment to the Fair Labor Standards Act

in 1966, which extended federal minimum wage coverage to several new industries. The expansion occurred at a time when the federal minimum wage was 40 percent higher in real terms than it is today. The newly covered industries were concentrated in services, retail, and agriculture, sectors with disproportionately high shares of women and black workers. The project proposes to take advantage of the scale of the reform and the racial and gender composition of treated industries to test the effects of high minimum wages and their ability to close the gender and racial wage gaps. This research promises to increase our understanding of the effects of introducing a high wage floor and whether universal federal labor standards can effectively reduce the racial and gender wage gaps.

The labor market effects of minority political empowerment: Evidence from the Voting Rights Act

Abhay Aneja JD and Ph.D. candidate at Stanford Law School and the University of California, Berkeley

Carlos Avenancio Postdoctoral Fellow at the Golub Center for Finance and Policy at the Massachusetts Institute of Technology

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project looks at how the political enfranchisement of a group affects economic outcomes of those within that group. There are several mechanisms through which this could occur: Politicians might favor a newly enfranchised group in policymaking to earn their votes; the newly enfranchised group might find public-sector employment; or members of the group might run for and win a seat in office. Aneja and Avenancio will examine how African American enfranchisement through the Voting Rights Act affected a variety of economic outcomes for blacks in southern states. They will use a differences-in-differences approach, looking at bordering counties in states that were and were not subject to Section 5 of the Voting Rights Act. Although this study focuses on Civil Rights-era outcomes, the results will be relevant today, as states pass laws that could depress voter turnout among minority groups.

What works and what workers try: Social mobility paths beyond the bachelor's degree and the impact of racialized inequality

Jasmine Hill Ph.D. candidate in Sociology at Stanford University

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project will look at what alternative approaches could allow those in low-income communities—the majority of which are communities of color—to negotiate an exit

from poverty. As the middle of the jobs market has hollowed out and the college wage premium has increased, much of the conversation around policy solutions has focused on upskilling or encouraging more people to pursue higher education. Two-thirds of Americans, however, still lack a bachelor's degree, a proportion that hasn't changed much over the decades. This raises the question of what alternative policies could encourage mobility. Hill will explore how economic inequality shapes the perceptions and knowledge of opportunities and options among those in low-income communities of color. In light of deeply racialized American inequality, this project aims to shed light on mechanisms creating and prohibiting social mobility among "low-skilled" or noncollege-educated workers of color.

Do pass-through owners pass tax burdens through to their workers?

Max Risch Ph.D. candidate in Economics at the University of Michigan

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

Pass-through businesses—businesses whose owners pay tax on profits on their individual returns and which are not subject to the corporate income tax—have grown rapidly in importance over the past two decades. Yet even as little is known with confidence about who pays the corporate income tax, even less is known about who pays taxes on the income of pass-through businesses. Risch will explore the incidence of taxes on the income of pass-through businesses by investigating whether and to what extent the compensation of employees of certain pass-through businesses changes in response to changes in the tax rates on the businesses' owners. To do this, he will use a linked owner-firm-employee dataset created from administrative tax records.

Consumer protection law and mortgage markets

Manisha Padi Bigelow Fellow and Lecturer in Law, Postdoctoral Fellow at the University of Chicago Law School

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This three-part project will empirically investigate the role of consumer protection laws on U.S. mortgage market outcomes and consumer welfare. Homeownership represents an important source of wealth for American families and is a primary source of wealth transfer across generations. But the housing crisis during the Great Recession disproportionately affected minorities and households at the lower end of the wealth distribution, precipitating calls for regulatory reform in mortgage markets to preserve the financial health of American households. Little evidence currently exists about the effect of particular legal regimes on the operation of the mortgage market. Specifically, this project asks whether

laws providing new grounds for consumer or public enforcer lawsuits against mortgage providers can successfully improve consumer outcomes. Padi proposes to answer this question by looking at the effects of legislation and regulations passed in the states and assessing their impact by comparing results to those in neighboring states.

Parental resources and the career choices of young workers

Matthew Staiger Ph.D. student in Economics at the University of Maryland

Grant Year: **2018** Grant Amount: **\$15,000** Type of Grant: **Doctoral/Post Doctoral**

This project will investigate how parental resources influence the career choices of young workers, with a specific focus on the impact of parental resources on entrepreneurship and job mobility. Staiger hypothesizes that parental resources shape behavior by providing insurance and relaxing credit constraints. Using U.S. administrative data, he will exploit mass layoffs to estimate the causal effect of parental resources at the time of the layoff on the labor market outcomes of young workers. This is the first project of its kind to use administrative data rather than survey data to investigate how parental resources may impact young workers' labor market outcomes. Specific outcomes to be explored include the relationship between a young adult's parents' earnings at the time of layoff on long-run expected earnings, job mobility, and entrepreneurial activity. The research represents a creative look at the relationship between inequality, innovation, and business dynamism.

The impact of antitrust on competition

Fiona Scott Morton Theodore Nierenberg Professor of Economics at the Yale University School of Management

Grant Year: **2018** Grant Amount: **\$70,000** Type of Grant: **Academic**

This project entails the collection of empirical metrics of merger outcomes in order to analyze effects beyond prices, taking into consideration other factors such as employment, innovation, and efficiencies. Scott Morton will collect empirical metrics of antitrust enforcement outcomes from publicly available data in company reports, earnings calls, Securities and Exchange Commission filings, and from other sources such as industry analysts and consulting services in order to create a novel dataset. Information will be collected before and after a merger. Data will then be compared to the outcomes predicted by the merging firms. A second component of the research will examine the purposes and outcomes of acquisitions in the high-tech sector to determine whether acquisitions are motivated by increased efficiencies or by the elimination of competi-

tors, a question that is largely unexplored. This line of inquiry seeks to test whether recent acquisitions have stifled innovation. This project is poised to make a considerable contribution to our understanding of the effects of mergers and acquisitions. Little evidence currently exists, resulting in a high burden on the agencies to justify challenges to proposed mergers and acquisitions.

The organizational bases of discrimination

David Pedulla Assistant Professor in the Department of Sociology
at Stanford University

Devah Pager Peter & Isabel Malkin Professor of Sociology & Public Policy
at Harvard University

Grant Year: **2018** Grant Amount: **\$65,000** Type of Grant: **Academic**

This project will continue an important empirical line of research that uses innovative field-based experimental methods to understand the dynamics of discrimination. The researchers will combine an audit study with a survey of employers. The audit data has significant advantages over past audit studies: It examines a broader range of job openings by using BurningGlass data; examines a larger number of employers and responses to applications; examines a broader range of cities; and examines race by gender and by parental status simultaneously. The researchers will survey employers, focusing on three main areas: personnel policies such as affirmative action, parental leave, and flex time; hiring practices such as the use of technology, referrals, and standardized interview protocols; and the demographics, size, number of locations, and age of the company. This research will directly test several outstanding questions in the literature, particularly the connection between formalization procedures and discrimination, the effectiveness of diversity initiatives, and the role of technology. This project's findings will provide a more precise assessment of how organizations perpetuate gendered, racial, and parental-status discrimination.

Tax evasion by the wealthy: Measurement and implications

Gabriel Zucman Assistant Professor of Economics at the University
of California, Berkeley

Daniel Reck Assistant Professor of Economics at the London School of Economics

Grant Year: **2018** Grant Amount: **\$68,422** Type of Grant: **Academic**

Measuring inequality is critical to understanding the nature of the challenge and its effects. This project aims to improve measurement of wealth inequality by understanding the extent to which tax evasion by the wealthy affects inequality measurements that rely on tax records. The authors combine administrative data on tax compliance, including audit results and the results of voluntary disclosure programs, and data leaked from financial and legal entities in recent years to explore the prevalence and scope of tax evasion by the wealthy. The researchers will use the improved estimates of tax evasion by the wealthy to construct revised estimates of income and wealth inequality in the United States.

Undirected migration

Danny Yagan Assistant Professor of Economics at the University of California, Berkeley

Grant Year: **2018** Grant Amount: **\$50,000** Type of Grant: **Academic**

This research will investigate whether out-migration is a successful response to local economic shocks. In the wake of the Great Recession and its uneven impact on communities in different parts of the United States, out-migration was considered to be a key way for Americans to escape the incidence of local economic shocks. Recent work, however, finds that actual out-migration provided little insurance against recent local shocks, and U.S. migration rates have fallen by about 15 percent since 1980. Yagan will study whether out-migration is, in fact, a channel via which people respond to and solve for local economic shocks by examining whether people move from low opportunity areas to areas with good job prospects, rather than to areas with similarly poor job prospects. A key condition for out-migration to be an actual solution to concentrated and intergenerational economic distress is whether there are better economic conditions in the new location.

The macro-effects of unemployment insurance: A simulation-based discontinuity design approach

Andreas Mueller Associate Professor at Columbia Business School, Columbia University

Emi Nakamura Chancellor's Professor of Economics at the University of California, Berkeley

Jón Steinsson Chancellor's Professor of Economics at the University of California, Berkeley

Miguel Acosta Ph.D. student in Economics at Columbia University

Grant Year: **2018** Grant Amount: **\$41,087** Type of Grant: **Academic**

Unemployment insurance was expanded several times during the Great Recession and its aftermath, with the maximum duration reaching up to 99 weeks in some states. Researchers have been debating the macroeconomic impact of those expansions on unemployment and employment, but little research exists on the macroeconomic effects of previous expansions. This project will fill this gap by looking at unemployment benefit expansions going back to 1976. Similar to previous research, the researchers will use “trigger notices” from the U.S. Department of Labor to see when programs were turned on. Their methodology, however, differs from previous research because rather than depending upon measurement error in the unemployment rate, their method allows them to look at the impacts when a program has multiple triggers. The researchers will then compare the effects of expansions during the Great Recession to previous expansions.

Using IRS tax data to measure the long-term effects of California’s 2004 Paid Family Leave Act

Tanya Byker Assistant Professor of Economics at Middlebury College

Martha Bailey Professor of Economics, and Research Professor at the Population Studies Center, University of Michigan

Grant Year: **2018** Grant Amount: **\$75,868** Type of Grant: **Academic**

This project will use IRS tax records to study the effects of California’s 2004 paid family leave insurance on labor market and family formation outcomes for both men and women. Byker and Bailey’s research has two significant advantages over the existing literature on paid parental leave in the United States. First, because they are using administrative data, they have an extremely large sample size, which will allow for potentially stronger conclusions than previous studies to date. The large sample size also allows for the study of heterogeneous effects, which has previously been difficult due to data limitations. Second, the long-term longitudinal nature of their panel allows for the first-ever study of long-term policy effects on employment, earnings, fertility, family formation, and other important impacts. This research comes at a time when many states are actively debating public paid family leave policies, and a national-level conversation is ongoing.

Using linked Census data to examine occupation mobility in the United States

David B. Grusky Barbara Kimball Browning Professor in the School of Humanities

and Sciences; Professor of Sociology; Senior Fellow, Stanford Institute for Economic Policy Research; Director, Stanford Center for Poverty and Inequality

Jonathan Fisher Research Scholar at the Stanford Center on Poverty and Inequality, Stanford University

C. Matthew Snipp Burnet C. and Mildred Finley Wohlford Professor of Humanities and Sciences in the Department of Sociology at Stanford University

Timothy Smeeding Lee Rainwater Distinguished Professor of Public Affairs and Economics at the University of Wisconsin, Madison

Grant Year: **2018** Grant Amount: **\$68,000** Type of Grant: **Academic**

Recent research by Raj Chetty and other economists using tax return data has allowed for a deeper understanding of the levels and trends of economic mobility in the United States, but there hasn't been equivalent data for the analysis of social mobility. This study will develop a new longitudinally linked U.S. Census American Community Survey dataset that will allow for parallel analyses of occupational mobility. This will be an important complement to the recent work on economic mobility that will allow for a richer understanding of what mobility actually looks and feels like for Americans. An analysis of occupational mobility in addition to economic mobility will allow for an analysis of whether individuals trade higher earnings for other occupational traits such as prestige, creating a more nuanced understanding of what opportunity looks like. In addition, the project will advance the literature by decomposing intergenerational occupational mobility by race, migration status, family structure, and type of occupation. This work is part of a larger database creation effort at the U.S. Census Bureau, the American Opportunity Study, which will create a panel that will represent the full U.S. population over the past 70 years, increasing the ability of researchers to use linked census data to study many demographic and economic questions in the later half of the 20th century.

The long-run impact of Temporary Disability Insurance on SSDI claims, earnings stability, and labor force participation

Emily Wiemers Associate Professor of Economics at the University of Massachusetts Boston

Randy Albelda Professor of Economics at the University of Massachusetts Boston

Michael Carr Associate Professor of Economics at the University of Massachusetts Boston

Grant Year: **2018** Grant Amount: **\$65,000** Type of Grant: **Academic**

This project will use administrative data to explore the role of Temporary Disability Insurance policies in shaping long-term labor market outcomes, as well as the receipt of long-term Social Security Disability Insurance. Specifically, the researchers will look at the impact of Temporary Disability Insurance on long-run earnings, labor force participation, and employment stability for those with an employment-limiting disability, as well as whether this program impacts Social Security Disability Insurance claims. The project will assess whether there are groups of workers (by education, earnings, gender, and race) for whom Temporary Disability Insurance is particularly useful in improving labor market outcomes or reducing SSDI claims. Currently, five states provide state-run TDI programs—social insurance-style wage replacement for short-term disability. The project will exploit this state variation, using the SIPP Beta Gold longitudinal data. Research on the impacts of these programs is extremely thin, and this project represents an important step in filling this gap.

Trends in earnings volatility using linked administrative and survey data

James Ziliak Professor and Carol Martin Gatton Endowed Chair in Microeconomics at the University of Kentucky

Christopher R. Bollinger Sturgill Endowed Professor of Economics at the University of Kentucky

Grant Year: **2018** Grant Amount: **\$60,749** Type of Grant: **Academic**

There is currently a debate in the literature about whether income volatility has increased or decreased over the past decade. To help resolve this, the researchers will link the Current Population Survey to the Social Security Administration's detailed earnings records data. This unique data is essential for understanding earnings, as previous research demonstrates that earnings in household surveys differ from those measured in administrative data—especially at the top and bottom of the income distribution. Determining whether the recent increase in income volatility (as shown in papers using household survey data) also occurs in the administrative earnings data is important in evaluating the changing well-being of individuals and families. It also impacts the measures of inequality. Decreasing volatility may suggest decreasing inequality, which contradicts many recent estimates of the change in inequality in the United States. This work is critical to understanding the nature of inequality in the United States today and the level of income volatility Americans may be experiencing.

Understanding men's nonemployment using longitudinal data: Wage opportunities, employment dynamics, and long-term effects

Ann Huff Stevens Professor of Economics at the University of California, Davis

Grant Year: **2018** Grant Amount: **\$60,000** Type of Grant: **Academic**

For more than a quarter of a century, one of the central questions in empirical academic and policy research on the U.S. labor market concerns the long-term decline in male employment rates. Existing research has documented patterns and trends in employment rates but almost entirely using cross-sectional data. A critical open question is what the decline in employment measured on an annual basis reflects in terms of an individual's employment trajectory. This project tackles this question by incorporating longitudinal analysis (through the Panel Study of Income Dynamics) and pseudo-panel techniques (via cohort analysis using the Current Population Survey). By looking at the wages of the sometimes-nonemployed, this project will yield a better answer to the question of how much of the reduction in prime-age employment over recent decades can be explained by declining wages. This is critical to understanding the extent to which changes in labor demand (which have reduced wages for sets of workers) versus changes in labor supply elasticities (which have potentially lowered labor supply for a given wage) explain reductions in prime-age employment.

Income-specific consumption baskets and the interaction between inequality and monetary policy

Javier Cravino Assistant Professor of Economics at the University of Michigan

Andrei Levchenko Professor of Economics at the University of Michigan

Grant Year: **2018** Grant Amount: **\$55,000** Type of Grant: **Academic**

Macroeconomists are increasingly looking at the interaction between economic inequality and macroeconomic policy. Past research has looked at the impact of monetary policy on the level of income or wealth inequality, but a new literature has started to focus on how the level of inequality changes the effectiveness of countercyclical monetary and fiscal policy. This project helps push that research frontier forward by investigating how differences in consumption baskets among households may affect the transmission of monetary policy. First, the researchers will document differences in consumption baskets across the income distribution. Using those data, they will measure the variation in price stickiness among U.S. households. If this heterogeneity varies significantly by income level, it's possible that the upward shift of income over the past several decades may have significantly enhanced or reduced the effectiveness of monetary policy. Understanding the strength of

monetary policy in an era of high economic inequality is critical for informing policymakers of the optimal strategy for fighting the next recession.

Firm wage policies and inequality: Evidence using matched employer-employee data

Arindrajit Dube Associate Professor of Economics at the University of Massachusetts Amherst

Grant Year: **2018** Grant Amount: **\$75,000** Type of Grant: **Academic**

This project seeks to better understand the set of implicit and explicit rules that govern pay-setting within companies and explore how these policies interact with market forces to shape the earnings distribution. Using matched employer-employee data from the Longitudinal Employer-Household Dynamics, the project will investigate the source of differences in wages being paid to similar workers at different establishments, after accounting for individual differences. The research will quantify how sensitive wages are to local labor market conditions, including policies, and will assess the extent of centralization of firms' wage policies. Importantly, the research will assess whether firms' concentration in the relevant labor market affects wage premia. The project generally aims to further our understanding of the role of labor market frictions and organizational factors in determining earnings inequality.

Our Mission

The Washington Center for Equitable Growth is a non-profit research and grantmaking organization dedicated to advancing evidence-based ideas and policies that promote strong, stable, and broad-based economic growth.

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for Equitable Growth