

DISCUSSION OF:
“THE ALLOCATION OF TALENT
AND U.S. ECONOMIC GROWTH”

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OVERVIEW

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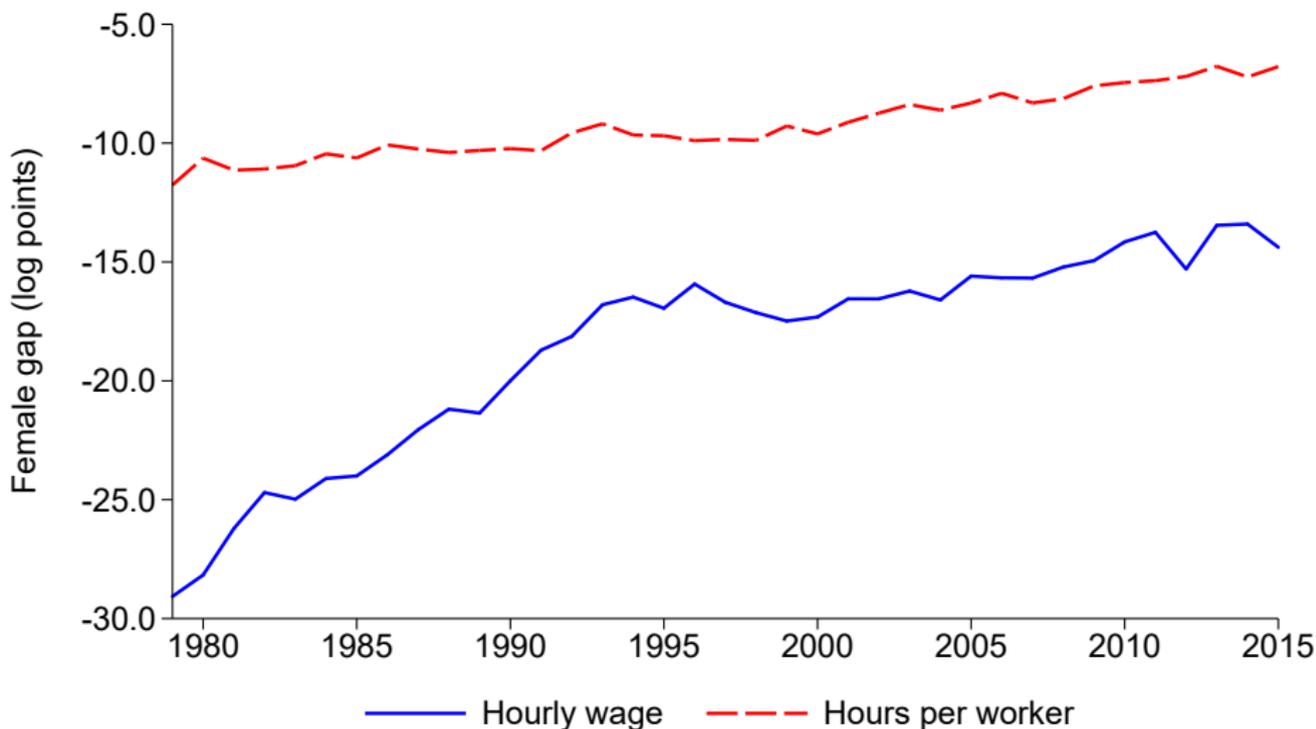
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- I'm going to talk about one aspect of the data missing from the model.
- Not meant as a criticism of the paper. Model already contains a lot.

EXAMPLE OF WHAT'S MISSING: HOURS MARGIN

- Model treats labor supply as all or nothing.
 - ▶ Part-time workers in data treated as 0.5 participant and 0.5 non-participant.

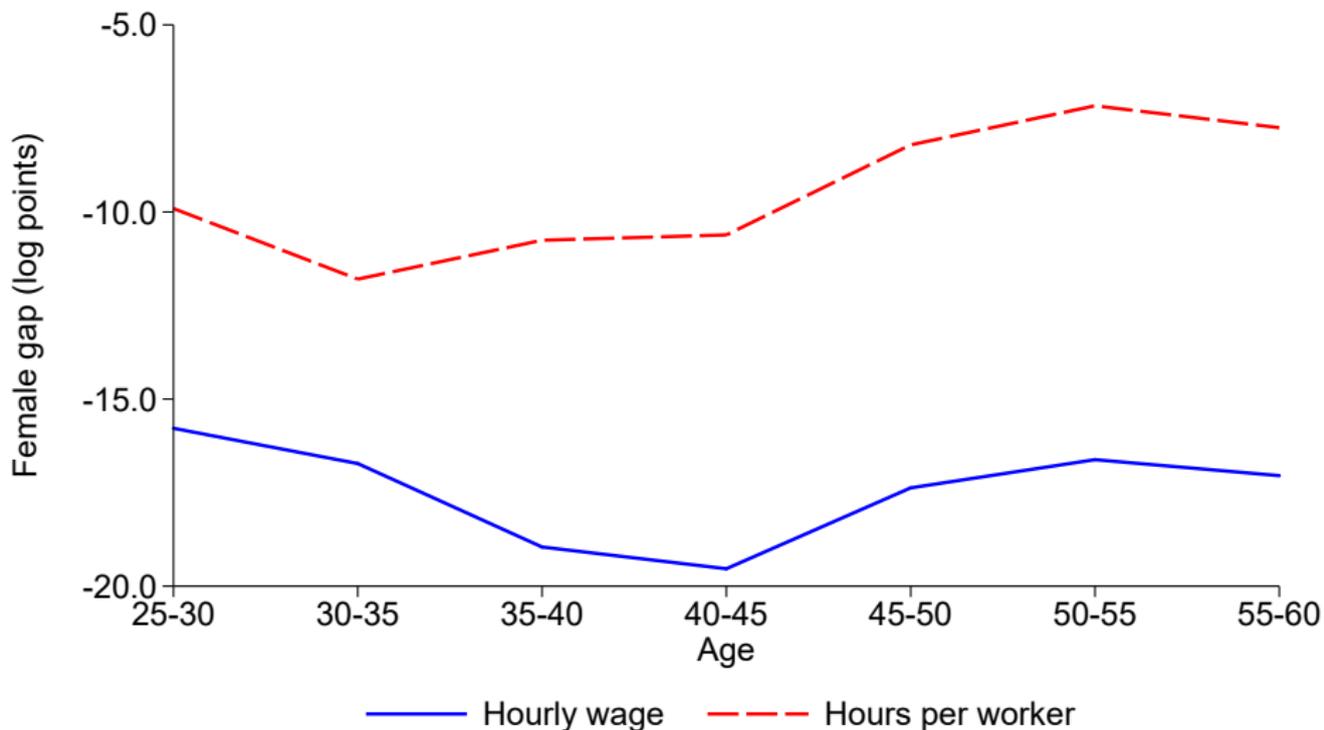
- Conditional on working, women work fewer hours on average than men.

WOMEN WORK FEWER HOURS ON AVERAGE THAN MEN



- ORG data, 25-64, usual hours per week ≥ 30 .
- Controls: Education, 5 year age bin, rural, state, 3 digit occupation.

GAPS HAVE SIMILAR LIFECYCLE PATTERNS

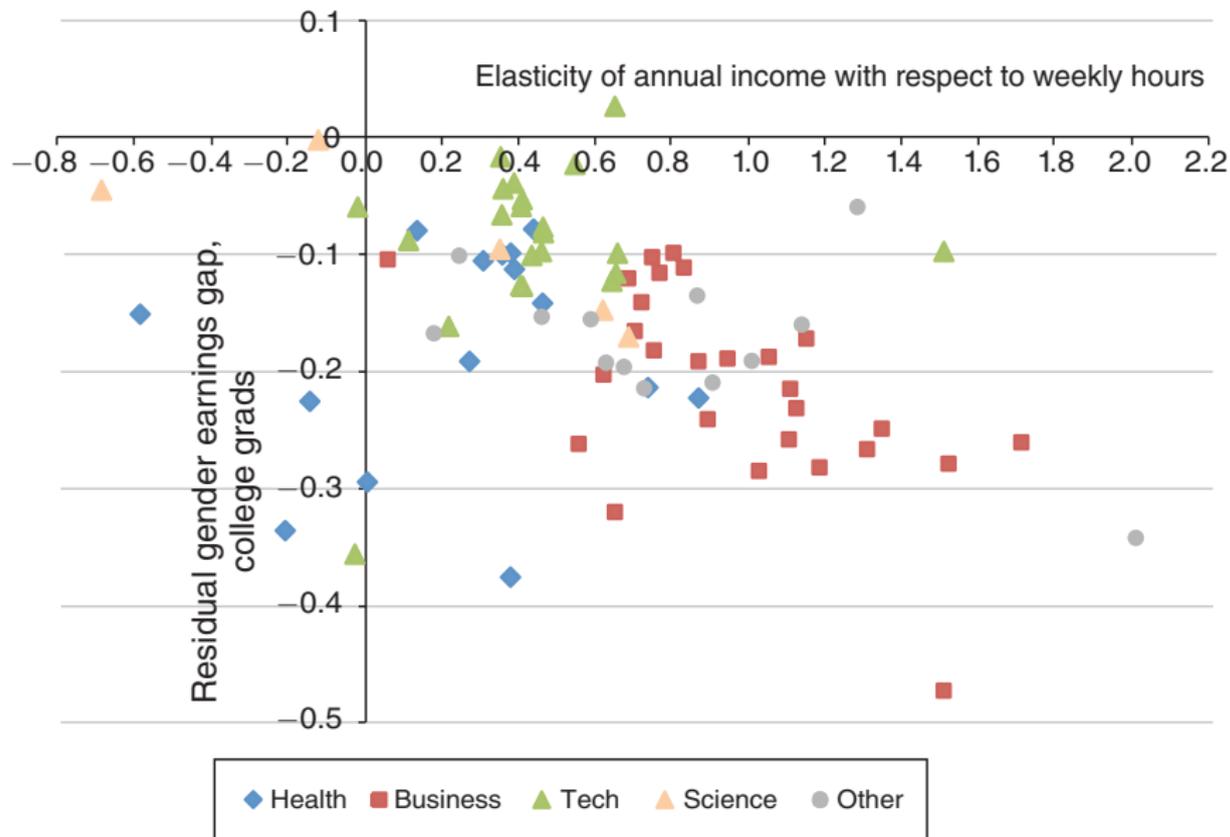


- Plotted for individuals born between 1960 and 1964. Other cohorts similar.

WHY IT MATTERS? HOURS PREMIUM ON WAGE

- Overtime rules.
- Empirical estimates (e.g. Aaronson and French 2004): moving from 40 hours to 20 hours per week reduces hourly wage by 25%.
- Goldin (2014): variation in gender wage gap across occupations partly explained by technological substitubility of workers (next slide).
 - ▶ Pharmacists versus lawyers.

WAGE GAP VARIES WITH EARNINGS-HOURS ELASTICITY



BACK TO HHJK

- Fixing occupation shares and parameters, wage gaps move τ s:

$$\frac{\bar{w}_{i,g,c,t}}{\bar{w}_{i,g=wm,c,t}} = \left(\frac{(1 + \tau_{i,g,c}^h)^\eta}{1 - \tau_{i,g,t}^w} \right)^{-\frac{1}{1-\eta}} \left(\frac{p_{i,g,c,t}}{p_{i,g=wm,c,t}} \right)^{-\frac{1}{\theta(1-\eta)}} .$$

- Fixing occupation shares and parameters, age profile of wage gaps affects split between τ_h and τ_w :

$$\frac{\frac{\bar{w}_{i,g,c,t=c+j}}{\bar{w}_{i,g=wm,c,t=c+j}}}{\frac{\bar{w}_{i,g,c,t=c}}{\bar{w}_{i,g=wm,c,t=c}}} = \left(\frac{1 - \tau_{i,g,t=c+j}^w}{1 - \tau_{i,g,t=c}^w} \right)^{\frac{1}{1-\eta}} \left(\frac{\frac{p_{i,g,c,t=c+j}}{p_{i,g=wm,c,t=c+j}}}{\frac{p_{i,g,c,t=c}}{p_{i,g=wm,c,t=c}}} \right)^{-\frac{1}{\theta(1-\eta)}} .$$

- Affects distance to frontier calculation.
- Matters for interpretation of past 50 years if occupation hours-wage premiums have changed.

MINOR QUIBBLES

- 1 Human capital augments productivity in the home sector exactly as it does in the market sector.
 - ▶ Does law school make you a better mother/father?
- 2 Missing constraints: home sector production \neq consumption.
- 3 Not rational expectations (individuals are myopic), but this may be realistic.
- 4 No unemployment but unemployment rates differ substantially across groups. Some non-participants may be discouraged workers but model will interpret as higher value of home sector.

TYPOS

- 1 p. 8: Expression for $\tilde{\omega}_{ig}$ missing terms in η , $3^{\eta-1}$, and right parentheses.
 - ▶ But note $\eta^{\frac{\eta}{1-\eta}}$ term in eq. 8 is correct.
- 2 Appendix p. 3: Extra $d\varepsilon^*$ in equation after (20).
- 3 Appendix p. 4 (bottom): denominator of fraction incorrect.
- 4 Appendix p. 5: $dG(\varepsilon)$ in place of $dH(\varepsilon)$ in line above eq. 22.
- 5 Multiple (e.g. eq. 8): \bar{T} is average experience, not integral of experience.
- 6 p. 18: assume $z_{ig} = 1$.
- 7 p. 15: Equation (15) missing $1 - \eta$ exponent on $1 - \tau^w$ fraction.

CONCLUSION: WHY IT'S A GREAT PAPER

- Really important question.
- Naive approach misses important economic forces such as selection and general equilibrium.
- Tractable model could be extended in other dimensions.
- Clear connection between model and data.
- Useful for other questions: cross-country income differences?