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JAMES M. AND  
CATHLEEN D. STONE FOUNDATION

# Four Programs on Wealth Inequality

2018 UPDATE



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***The United States since most of us were born has regularly harvested more wealth than any other nation in the history of the world, but the fruits have been increasingly carried toward the tip of the pyramid.*** If you are in this segment, I hope

you can be grateful without believing that this is the way things ought to be. The data on wealth is less available to the public and harder to interpret than income data, but inequalities of wealth are materially greater than those in income. My focus on wealth derives in part from an observation that this is the subpart of the equality debate that has received the least serious attention over the years and in part from my lack of optimism that modest adjustments to the wage distribution can free up a meaningful portion of the increasing wealth sequester. The greater the share of the nation's wealth and income is impounded within a durable elite, the less impact will be had from the mobility that everyone else relies upon.

The threat is that we may find ourselves living in a market economy where a tiny fraction of the people and a small number of institutions reap virtually all of the rewards and make all of the social and economic policy decisions, presumably with a bias toward serving their own interests. This would be a democracy in name only. True democracy is surely not the most natural form of government for human beings, but it may well be mankind's greatest invention. If our pluralism erodes, with it will vanish America's brightest gem. One threat lies in outright destabilization, and another is in alienation from civic participation. People can lose their faith in the major parties. Or they may turn to candidates with extravagant, heroic promises, the "men on horseback" who have heralded so much of history's pain. Crime becomes more attractive to those who feel left out. The whole pie is smaller in super-concentrated economies than in those with more evenly distributed wealth. Oligarchies and aristocracies tend to be inefficient economic engines. And when prosperity is not shared, education and opportunity don't tend to be shared well either — and much of an economy's potential talent is wasted. It is beyond realistic imagination that any hereditary aristocracy can be a friend of maximum drive or innovation. There should be a nonpartisan factual understanding that the whole economy will tend to stultify over time if concentration is allowed to go unchecked.

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## CONTENTS

Executive Summary .....	1
Graduate Center of the City University of New York .....	2
Harvard Kennedy School.....	3
Brown University.....	4
INSEAD.....	5

## *Executive Summary*

In 2016, the James M. and Cathleen D. Stone Foundation made a significant investment in the study of wealth inequality, with emphasis on the causes and consequences of increasing accumulation at the top of the wealth distribution.

The Foundation funded wealth inequality projects at four institutions: Graduate Center of the City University of New York, Harvard Kennedy School, Brown University, and INSEAD. The report that follows is a summary of the progress made by each institution as of August 15, 2018.

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# James M. and Cathleen D. Stone

## Center on Socio-Economic Inequality

GRADUATE CENTER OF THE CITY UNIVERSITY OF NEW YORK

### OVERVIEW

The James M. and Cathleen D. Stone Center on Socio-Economic Inequality was launched on September 1, 2016. It renamed and expanded the Graduate Center's Luxembourg Income Study (LIS) Center, which opened its doors at the Graduate Center in 2009. The mission of the Stone Center is to build and disseminate knowledge related to the causes, nature, and consequences of multiple forms of socio-economic inequality. Although the Stone Center's core faculty and affiliated students have diverse interests and utilize a range of methods, they share a commitment to scholarship that is quantitative, data-driven, interdisciplinary, and policy-oriented, and that addresses questions that are cross-nationally comparative and/or global in scope. The Center occupies a suite of ten offices at the Graduate Center.

### FACULTY

The Stone Center has six core faculty members. Three of the six core faculty members were on the Graduate Center faculty when the Stone Center was founded: Janet Gornick, Professor of Political Science and Sociology and Stone Center Director; Paul Krugman, Professor of Economics; and Branko Milanovic, an economist serving as GC Presidential Professor. The other three were recruited, and hired, during the Stone Center's first year of operation: Leslie McCall, Professor of Sociology and Political Science and Stone Center Associate Director; Miles Corak, Professor of Economics; Salvatore Morelli, an economist serving as Visiting Assistant Professor (2017-18) and Research Assistant Professor (2018-19). Professor Morelli directs the Stone Center's research project on high-end wealth.

### FELLOWS

The Stone Center team works closely with the Graduate Center's Advanced Research Collaborative (ARC), which hosts a "distinguished fellows" program; ARC fellows spend one or two semesters in residence at the Graduate Center. The ARC fellows program has a track focused on quantitative inequality research. Recent ARC fellows working on economic inequality have included Professors David Howell (The New School), Brian Nolan (University of Oxford), Bruce Bradbury (University of New South Wales), and Marius Busemeyer (University of Konstanz).

### TEACHING AND TRAINING

Recent/current course offerings include: Inequality, Economic Opportunity, and Public Policy; Socio-Economic Inequality in Comparative Perspective - Lessons from the Luxembourg Income Study; Economics of the Welfare State; Politics of Inequality; and From Pareto to Kuznets Waves. Each June, the Center hosts a one-week intensive workshop on inequality research, with a dual focus on substantive findings and methods. The workshop - titled "Inequality by the Numbers" - is designed for PhD students and other young scholars interested in empirical research on socio-economic inequality.

### LECTURES AND PROGRAMMING

The Stone Center hosts three lecture series: 1) An internal Stone Center seminar series on inequality research; 2) The Lee Rainwater Memorial Lecture Series, and 3) The James M. and Cathleen D. Stone Lecture Series on Wealth Inequality. The inaugural Stone Wealth Lecture was given on July 18, 2017 by Gabriel Zucman and was titled "Tax Evasion and Inequality." The second Stone Wealth Lecture was given on April 11, 2018 by Edward Wolff and was titled: "Wealth in America."

### CONFERENCES

The Stone Center was selected to host the Seventh Biennial Meeting of the Society for the Study of Economic Inequality. The 2017 conference was the first ECINEQ conference held in the United States. The conference brought more than 250 scholars, from over 30 countries, to the Graduate Center.

### GRANTS

In July 2017, the US National Science Foundation granted the Stone Center \$300,000 to fund the creation of a powerful online table-maker and data visualization tool which will enable individuals and institutions to generate descriptive results, easily and quickly, on levels/trends/distributions of earnings, income, and wealth - across 50+ countries. In July 2018, the US National Science Foundation granted the Stone Center \$1,875,000. The five-year award will support the data work carried out in the Luxembourg Office of LIS, including microdata acquisition, harmonization, documentation, and dissemination.

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# The James M. Stone and Cathleen D. Stone Ph.D. Scholars

## HARVARD KENNEDY SCHOOL

### OVERVIEW

The Stone Scholars Program seeks to encourage a new generation of PhD scholars who will set their sights on problems of inequality—particularly income and wealth concentration at the very top of the distribution—and generate answers to help solve them. The Stone Scholars Program is available to the university-wide community of faculty and PhD students, offering an extra measure of resources for those working in this area. Stone PhD Scholars drawn from across the social sciences gain opportunities to interact and learn from each other, from Harvard faculty drawn from across the university, and from the program's network of Stone Senior Scholar national affiliates. Through the Stone PhD fellowships, the program aims to cultivate young scholars who will advance new lines of research and help to shape the path of future social science work in this area.

### FACULTY

The Stone Scholars Program is directed by Devah Pager, Peter and Isabel Malkin Professor of Sociology and Public Policy, and sits within the Inequality & Social Policy Program at The Malcolm Wiener Center for Social Policy. Sixty-five Harvard faculty participate in the program, engaging with the Stone PhD Scholars in the pro-seminar course sequence, seminar series, and faculty research projects. The increased attention to issues of wealth and income inequality via the Stone Scholars Program has dovetailed with the University's priorities in this area. The following affiliated faculty have been promoted recently to tenured full professorships: Stefanie Stantcheva, whose research focuses on the optimal design of tax systems and the empirical effects of taxation on inequality, top incomes, human capital, and innovation; Nathaniel Hendren, whose research focuses on equality of opportunity, market failures that fail to provide opportunity, and potential policy solutions; and Amanda Pallais, whose research focuses on labor market performance and educational investment decisions of disadvantaged groups. In addition, Raj Chetty, a scholar of inequality and economic mobility, recently announced his return to Harvard as the William Henry Bloomberg Professor of Economics.

### FELLOWS

The Inequality & Social Policy Program recently established the Stone Senior Scholars program, which will consist of 12 national scholar affiliates, with particular strengths in top-end inequality and wealth concentration. These scholars, drawn from the fields of economics, political science, and sociology, will maintain an ongoing relationship with the program, invited to visit on a regular basis.

### TEACHING AND TRAINING

Harvard PhD students apply to the program at the end of their 1st or 2nd year of doctoral study. Selection is highly competitive, with 8-10 new Stone PhD Scholars named each year (approximately the top 20% of applicants). Stone PhD Scholars remain participants throughout their PhD studies, supported with a generous dissertation fellowship (\$32,000) and individual research fund (\$5,000). Half of the Stone fellowships are specifically designated for research on top-end inequality and wealth concentration. The centerpiece of the Stone PhD Scholar curriculum is the three-semester Pro-seminar in Inequality. A version of this course has been introduced to Harvard Kennedy School master's students as well.

### LECTURES AND PROGRAMMING

The Inequality & Social Policy program hosts a weekly Inequality Seminar Series (25 talks each year) which features a mix of national scholars and Harvard faculty speakers. The Stone Scholars regularly attend these talks. The program also hosts an annual James M. and Cathleen D. Stone Lecture in Economic Inequality. The inaugural lecture was given by Thomas Piketty on March 30, 2018 and was titled "Rising Inequality and the Changing Structure of Political Conflict."

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# James M. and Cathleen D. Stone Wealth and Income Inequality Project

## BROWN UNIVERSITY

### OVERVIEW

The James M. and Cathleen D. Stone Wealth and Income Inequality Project seeks to develop new theoretical perspectives and empirical tools, assemble new data, and train a new cohort of researchers whose work is focused on wealth and income inequality. The Project provides support for faculty and graduate students and encourages course development that expands the dialogue on wealth and income inequality beyond the Department of Economics.

### FACULTY

The Wealth and Inequality Project is directed by David Weil, Professor of Economics. Seven other members of the Economics Department (Anna Aizer, Gauti Eggertsson, Andrew Foster, John Friedman, Glenn Loury, Stelios Michalopoulos and Christina Paxson) are affiliated with the Project, either working with graduate students supported by the project or teaching courses on inequality. Each year, the Economics Department appoints one Stone Faculty Scholar who is a visiting faculty member. In 2017-2018, the Department of Economics hosted Adam Looney (Brookings) as the first Stone Faculty Scholar. In 2018-2019, David Seim (Stockholm University) will be the second Stone Faculty Scholar. Faculty scholars are in residence for one semester and teach at least one course. Although there are no permanent faculty slots that have been created with Stone project funding, the University has indicated an interest in hiring a specialist in the field of wealth and income inequality who would be attracted to Brown by the Project's intellectual activity.

### TEACHING AND TRAINING

The Wealth and Inequality Project supports the research of five graduate students per semester, either doing their own projects on inequality or working as research assistants for faculty members in this area. The Project also supports students in data acquisition, computing, conference travel, and related expenses. Through the end of the 2017-18 academic year, a total of nine graduate students had been supported. The Project also encourages the development of new undergraduate and graduate courses. In 2017-18, Adam Looney taught an upper-level graduate course on Inequality and Social Policy and Christina Paxson and David Weil taught an undergraduate course on Income, Wealth, and Health Inequality in the United States. In 2018-19, David Seim will teach an upper level course on Inequality and Public Policies, while Paxson and Weil will reprise their undergraduate course.

### CONFERENCES

In 2017, The Wealth and Inequality Project hosted a one-day conference on current research in inequality. The conference brought together investigators from the international academic community who are focused on wealth and income inequality.

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# The James M. and Cathleen D. Stone Centre for the Study of Wealth Inequality

**INSEAD**

## **OVERVIEW**

The James M. and Cathleen D. Stone Centre for the Study of Wealth Inequality was founded in 2017 to serve as a venue for the research and teaching of income and wealth inequality issues in a business school environment. By convening an interdisciplinary team of scholars from across INSEAD, the Centre aims to generate new insights about inequality problems and harness the power of business to solve them. Its stated goal is to connect the lab with the classroom to ignite new ideas; spur discourse and debate; shape business education; and inspire leaders to take action.

## **FACULTY**

The Stone Center is directed by Mark Stabile, Professor of Economics and Stone Chaired Professor in Wealth Inequality. Affiliated faculty include Ilian Mihov, Dean of INSEAD and The Rausing Chaired Professor of Economic and Business Transformation; Morten Bennedsen, Professor of Economics and Political Science and The André and Rosalie Hoffmann Chaired Professor of Family Enterprise; Pushan Dutt, Professor of Economics and Political Science and The Shell Fellow of Economic Transformation; Alexandra Roulet, Assistant Professor of Economics; and Kaisa Snellman, Assistant Professor of Organizational Behavior.

## **TEACHING AND TRAINING**

We believe INSEAD is the first business school to formally identify the study of wealth inequality as a key component of its teaching and research. In 2018, the faculty developed two new courses for MBA students. In January of 2018, INSEAD offered a new MBA core course titled “Business and Society: Business and Public Policy.” The focus is on the role of public policy and how it affects business and society, as well as how business can and should act with care for the greater societal well-being. One extended session is dedicated to wealth and income inequality. In May of 2018, INSEAD offered a new MBA elective course titled “Wealth and Income Inequality and the Future of Business.” The aim is to understand the causes, consequences and solutions to rising inequality worldwide over the past 20 years.

## **ADDITIONAL GIFTS**

INSEAD alumnus, Jacques Garaialde, MBA’82, committed €500,000 in endowed funds to create a research fund for the study of wealth inequality. The purpose of the fund is to raise awareness of the implications of inequality and advance research to help businesses identify solutions. The first of five installments was received in July 2018.