Summer mini-course: "Social Interactions and Urban segregation"

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Syllabus:

The rise of inequality observed in most developed countries is accompanied by increased sorting in society. Individuals group themselves into social clusters or local communities leading to a stratified society, that is to say a society organized in communities of individuals with "similar" characteristics. Certainly one of the most striking manifestations of this social stratification is residential sorting by income (Bischoff and Reardon, 2011, *American Journal of Sociology,* Glaeser *et al.* 2008*, Journal of Urban Economics*). The social stratification can be observed in other arenas of collective life *a priori* favorable to social mixing. For instance, in France in 2015, pupils from high-income families amount to 19.4% of the students' population in public junior high schools located in poor neighborhoods while they are 34.1% in establishments located in better neighborhoods. Moreover, in American high schools, friendship networks appear to be highly segregated between white and black individuals (Currarini, Jackson and Pin, 2008, *Econometrica*). Eika, Mogstad and Zafar (2018, *Journal of Political Economy*), reporting trends in educational assortative marriage in various developed countries, show that educational endogamy increased from 1960 to 2013. Individuals choose their companions often on the basis of common economic class because communities formed this way provide their members with some social interactions that are important to subsequent individual productivity. It is for instance well documented that an individual's prospect of upward mobility in the income ladder is strongly related to her/his place of residence and neighborhood (Chetty et al., 2016; *Quarterly Journal of Economics*). Thus, spatial fragmentation is said to undermine the working of the city and to threaten social cohesion as a whole, which is likely to trigger strong and disruptive political effects (Inglehart and Norris, 2016, *Harvard Kennedy School,* WP 16-026).

The mini-course presents recent developments in the economic literature on social interactions and inequality that address the three following questions: what are the sources of income sorting? How does sorting influence the future inequalities and economic performances of societies? What are the public policies that may influence the degree of social stratification and lessen inequalities?

The course is organized in 4 lectures (Introduction + Lectures 1, 2, 3) :

Introduction: Stylized facts on income sorting and the empirical analysis on social interactions.

The introduction presents stylized facts on income sorting. We also present the empirical evidence on social interactions and come back to issues that arise when aiming to identify social interactions.

Lecture 1: Models of inequality segregation.

This Lecture presents models that study the causes of socioeconomic stratification. We will devote particular attention to urban economic settings that consider commuting and housing as the main drivers of residential choices and examine how they account for income sorting.

Lecture 2: Consequences of socioeconomic stratification: inequality dynamics and cultural polarization.

We will turn then to the study of dynamic models that examine how social stratification impacts (i) the dynamics of inequality, (ii) cultural polarization and (iii) growth.

Lecture 3: Public Policies dampening the adverse effects of stratification.

This Lecture presents theoretical frameworks that highlight the consequences of public policies aiming to modify the stratification. In particular, we will examine the effects of place-based policies. We will also survey the empirical literature evaluating such policies.

Students' background:

Students attending the course will have a background in microeconomics, macroeconomics (growth economics).

Some References:

On the causes of income sorting :

1. Becker, G. and K. Murphy, 2000, *Social Economics*, Cambridge: Harvard University Press.
2. Bénabou, R., 1996, "Equity and Efficiency in Human Capital Investment: the Local Connection", *Review of Economic Studies*, vol. 63, 237-264.
3. Gaigné, C., Koster, H., Moizeau, F., and J.-F. Thisse, 2018, "Who lives Where in the City ? Amenities, Commuting and Income Sorting", CEPR DP 11958.

On inequality dynamics and cultural polarization:

1. Bénabou, R., 1996, "Heterogeneity, Stratification and Growth: Macroeconomic Implications of Community Structure and School Finance", *American Economic Review*, vol. 86, 584-609.
2. Bezin, E. and F. Moizeau, 2017, "Cultural Dynamics, Social Mobility and Urban Segregation", *Journal of Urban Economics*, vol. 99, 173-187.

On Place-based Public Policies:

1. Kline, P. & E. Moretti, 2014, "People, Places and Public Policy: Some Simple Welfare Economics of Local Development Economic Programs", *Annual Review of Economics*, vol. 6, p. 629-662.

On the measurement of social interactions:

1. Chetty, R., Hendren, N. and L. Katz, 2016, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment", *American Economic Review*, vol. 106, p. 855-902.
2. Kling, J. R., Liebman, J. B. and L. F. Katz, 2007, "Experimental Analysis of Neighborhood Effects", *Econometrica*, vol. 75, 83-119.
3. Moffitt, R., 2000, "Policy Interventions, Low-Level Equilibria and Social Interactions", in Social Dynamics, Steven Durlauf and Peyton Young editors, MIT Press.
4. Topa, G. and Y. Zenou, 2014, "Neighborhood versus Network Effects", in G. Duranton, V. Henderson and W. Strange (eds), Handbook of Regional and Urban Economics, Amsterdam: Elsevier Publisher.