



2018 Rosen Award

In 2018, the Society of Labor Economists awards the Sherwin Rosen Prize to Patrick Kline for outstanding contributions in the field of labor economics.

Pat Kline is a productive and creative scholar with an outstanding research output. He has written innovative and influential papers on several important topics, including place based policies, firm-level wage determination, and intergenerational mobility, as well as in other areas of labor economics and applied econometrics. Kline's major papers address important questions that are either directly policy relevant, or critical for developing a substantive understanding of the world. Many of his applied papers are at the leading edge of the field, bringing in new ideas from econometrics and creatively utilizing largescale data sets to provide new insights.

His two most important contributions in place based policies are “Assessing the Incidence and Efficiency of a Prominent Place Based Policy” *American Economic Review* (April 2013) co-authored with Matias Busso and Jesse Gregory. “Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority” *Quarterly Journal of Economics* (February 2014) coauthored with Enrico Moretti.

In the 2013 *AER* paper, Kline and co-authors study the economic efficiency of the federal urban Empowerment Zone (EZ) program, as well as the incidence of the program. The program is designed to help low income urban areas by providing business tax credits to the employment of local residents as well as a series of large block grants aimed at improving local infrastructure and reducing poverty. In the 2014 *QJE* paper, Kline focuses on the Tennessee Valley Authority (TVA), arguably the most ambitious attempt at a big push development strategy ever performed in the United States.

The two papers also share the same methodological structure: a transparent identification strategy designed to assess the local effect of the program augmented by a more structured approach designed to assess the program's aggregate impacts. The effects of the two programs on the local economy differ. Both policies have positive local labor market effects. The TVA project also has large positive spillovers to surrounding local economies which were offset by losses elsewhere leading to no overall aggregate effect.

Kline has written two papers that study the role of firm-specific wage premiums in determining trends in wage inequality and the gender wage gap.

"Workplace Heterogeneity and the Rise of West German Wage Inequality." (*Quarterly Journal of Economics*, 2013) co-authored with David Card and Joerg Heining.

This paper documents the importance of workplace-specific pay components for understanding the very sharp rise in wage inequality in Germany in the late 1990's and early 2000's. First, they show that workers who move up and down the co-worker-pay ladder experience approximately symmetric gains and losses in wages -- a pattern that rules out endogenous mobility driven by person-specific job-match components of pay. It also shows that wage trends of workers who will experience different types of moves are all remarkably similar in the years before the move, with no indication of the wage gains or losses they will experience in the near future.

Then they show that simple additive models of wage determination, worker and firm effects, perform surprisingly well. They show a rise in the degree of assortative matching between high-wage workers and high-wage-premium employers. Overall, the authors conclude that firm-specific pay premiums have become more important over time, are increasingly distributed across workers in a way that magnifies other components of wage inequality.

"Bargaining, Sorting, and the Gender Wage Gap: Quantifying the Impact of Firms on the Relative Pay of Women." (co-authored with David Card and Ana Rute Cardoso.)

They explore the impact of firm-specific pay premiums on the overall gender wage gap in Portugal. Here they show more profitable firms may be less likely to hire female workers -- a "sorting" channel. Second, a profitable firm may offer its female employees a smaller pay premium than its male employees -- a "bargaining" channel that is consistent with evidence from Social Psychology showing that women bargain less aggressively than men, and end up with a smaller share of the gains from trade.

2018 Nominating Committee:

David Autor, Massachusetts Institute of Technology

Enrico Moretti, University of California at Berkeley

Robert Shimer, University of Chicago

Aloysius Siow, University of Toronto (chair)

Petra Todd, University of Pennsylvania