

Econ 412
Macroeconomics and Inequality
Winter 2021

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Course Description:

This course examines the determinants of the income and wealth distribution and how these distributions interact with the macroeconomy. During the past several decades, tremendous progress has been made in accounting for realistic heterogeneity in macroeconomics. The primary goal of this course is to develop an understanding of the theories and methods used to think about the interaction between inequality and the macroeconomy today. We will begin by learning important facts about the income and wealth distribution. We will then investigate mechanisms that can account for these facts. In the second half of the course, we will examine how inequality interacts with the aggregate economy. We will focus in particular on long-run growth and business cycle dynamics. In the final part of the course, we will study the effects of policies designed to reduce inequality.

Class Meetings and Office Hours:

We will meet via Zoom from 10:30 – 12:20 on Tuesdays and Thursdays. I will hold office hours from 2:00 – 4:00 on Thursdays, also on Zoom. You can find meeting details on Canvas.

Prerequisites:

Econ 301 (Intermediate Macro). We will use concepts from Calculus and Probability throughout the course.

Contact:

You can email me at bg385@uw.edu. Please include “ECON 412” in the subject line. Email is best for straightforward questions. For more complicated questions, please come to office hours.

Readings:

The only required book for this course is *House of Debt* by Amir Sufi and Atif Mian. All other readings are articles which are available online. Readings will be posted on Canvas and should be completed prior to class.

Class Participation:

We will discuss required readings during class meetings. In addition, I encourage questions and discussion during lectures. The class participation grade will be based on attendance and participation in discussions.

If there are extraordinary circumstances that will make it difficult for you to attend lectures (such as a large time zone difference), please email me as soon as possible to let me know. In these cases, you may submit a written reflection on the reading and previous lecture in place of live participation. In order for me to incorporate comments from these reflections into lectures, written reflections are due **one hour before class**.

Homework:

Problem sets will be assigned throughout the quarter. You are allowed (and encouraged) to collaborate in small groups of no more than three students to complete homework assignments. However, each student must write and submit their own solutions. If you do collaborate, you must write down the names of the people you worked with. Assignments are due before class. In order to receive credit, you must show your work. If you believe there is an error in how a problem set was graded, you may submit it for re-grading with an explanation of the error. I will re-grade the entire problem set, and your grade may go up or down.

Exams:

There will be two in-class exams. Both exams are closed book. Live attendance, with webcam turned on, is required. Absences will only be excused in the case of major emergencies that concern either you or your immediate family. In the case of a medical emergency, please provide a certification by a doctor on the exam date. If you miss the first exam, its weight will be added to the final exam. If you miss the final exam, you will need to take a make-up exam next quarter.

The difficulty of the make-up exam will be adjusted to reflect the fact that you will have had additional time to prepare.

Grading:

The final grade will be a weighted average of class participation, homework assignments, and two exams:

Class participation:	10%
Homework assignments:	30%
Exam 1:	30%
Exam 2:	30%

Academic Conduct:

All students are expected to abide by the Economic Department's policy on academic conduct: <https://econ.washington.edu/policy-academic-conduct>.

Accommodations:

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at <https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/>. Accommodations must be requested within the first two weeks of this course using <https://registrar.washington.edu/students/religious-accommodations-request/>.

Students with special needs should send me their documents as soon as possible. More information is available at <https://depts.washington.edu/uwdrs>.

Approximate Outline:

Date	Topics
Tue, Jan 5	Introduction and Course Overview
Thu, Jan 7	Economic Concepts
Tue, Jan 12	Measuring Inequality
Thu, Jan 14	Facts about Inequality
Tue, Jan 19	Social Mobility
Thu, Jan 21	The Labor Share
Tue, Jan 26	Skill-Biased Technological Change
Thu, Jan 28	The Capital / Output Ratio
Tue, Feb 2	Power Laws
Thu, Feb 4	Exam 1
Tue, Feb 9	Growth: Empirics
Thu, Feb 11	Growth: Talent Misallocation
Tue, Feb 16	Growth: Human Capital Accumulation
Thu, Feb 18	No Class
Tue, Feb 23	Business Cycles: Facts
Thu, Feb 25	Business Cycles: Theory
Tue, Mar 2	Business Cycles: Theory

Thu, Mar 4	Policy
Tue, Mar 9	Policy / Review
Thu, Mar 11	Exam 2