Econ 410: The Macroeconomics of Inequality

Time and Location: Tuesday and Thursday, 2:30PM-4:00PM, Seigle/103.

Instructor: Prof. Francisco J. Buera, Siegle 336. Office hours: by appointment. fjbuera@wustl.edu.

Assistant to the Instructor: Cansu Isler, Siegle 373. Office hours: Wednesday 10-11am and Friday, 4pm-5pm. cansuisler@wustl.edu.

Course Description: In this course, we will study the driving forces of inequality across countries, over time, and across individuals within a country. We will study the sources of inequality in standard measures of economic well-being, e.g., income, wealth, consumption of market goods, but we will also consider the inequality in more broad measures, e.g., health, education. The first part of the course will focus on theories explaining inequality across countries and over time. In the second part of the course we will dive into the forces driving inequality within a country. More specifically, we will explore how technological progress, robotization, financial markets, international trade and taxation can alleviate or exacerbate inequality. Theories featuring the role of investment, education, technology, coordination and credit market failures, and environmental variables will be considered. Different theories will be evaluated with historical, cross-country data, microdata and specific case studies.

Grading: The course grade will be based on 2 exams (30% each), four problem sets (30% in total), and class participation (10%). The grading of class participation will be based on the students’ discussions of the assigned readings.

Test 1: October 23rd.

Test 2: November 20th.

Problem set will be done in groups, so as to cross-fertilize and complement members skills. Deadlines for problem sets will be strict. However, you have a total allowance of two delay-days you can use as necessary. For this to apply, please notify me or Cansu by email before the deadline.

Readings: During the first part of the course we will mainly rely on Introduction to Economic Growth by Chad Jones and Dietrich Vollrath (2013). During the second part of the course we will rely on readings from academic journal articles and recent working papers. Throughout the course, we will discuss The Great Escape: Health, Wealth, and the Origins of Inequality by Angus Deaton (2013).
Course Outline:

**Introduction and Discussion of Measures of Well-being**

Measures of economic development. Introduction and basics facts about the inequality in (narrowly defined) material well-being across countries and over time. Deaton (2013), chapters 1; Jones & Vollrath (2013), chapter 1.

Additional (optional) reading


**Broader measures of well-being**

Discussion of broader notions of well-being. We will focus on the inequality in health outcomes across countries and overtime. Deaton (2013) Chapter 2-4.

Additional (optional) reading


**Physical capital**

The accumulation of physical capital as a source of economic development and world inequality. Jones & Vollrath (2013), chapters 2 and 3.

**Human capital**


**Technological progress I**


**Technological progress II**


**Coordination failures**

A simple model of coordination failures as a source of economic development and world inequality.

Basic facts about the inequality within countries


Financial markets and inequality

We will use a computer-based analysis to explore the interaction between capital markets, inequality and economic development. We will use a version of this framework to analyze an important institution that have been proposed to alleviate poverty and promote development: microfinance.


Structural change, International trade and inequality

Analysis of the forces explaining the changes in the structure of production and consumption, e.g., the decline of agriculture, manufacturing, and the rise of services, and their effect on the differential well-being of workers across industries.


Technological Progress and Inequality

Skill biased technical change and the rise of the skill premium. Capital biased technical change, automation, and the decline of the labor share.
