

Inequality and Macroeconomics: Facts and Theories

Fabrizio Perri (fabri.perri@gmail.com, www.fperri.net)

Federal Reserve Bank of Minneapolis and CEPR

PHD Lectures 2024, KU Leuven

The objective of these lectures is to expose attendants to recent frontier research in inequality and macroeconomics, emphasizing both how macroeconomic outcomes affect inequality as well as how distribution of resources in an economy affect macroeconomic outcomes. The lectures will discuss in some detail empirical, theoretical, and quantitative methods. We will also discuss positive issues, like how can we understand the distribution of wealth in modern economies, and normative issues like how inequality affect the conduct of monetary policy or the gains from trade.

Updated version of the slides for each lecture will be posted at http://www.fperri.net/TEACHING/macro_inequality_2024.htm

Schedule:

<https://feb.kuleuven.be/research/economics/ces/documents/Events/Econ%20PhD%20Lectures%20-%20Fabrizio%20Perri%20Minneapolis%20Fed.pdf>

Topics and Reading List (updated May 18, 2024)

Lecture 1. Inequality in macro: facts for United States and other developed economies

Readings:

Piketty T. & E. Saez, "Income Inequality in the United States, 1913–1998," *Quarterly Journal of Economics*, 2003

Review of Economic Dynamics, Special Issue: Cross Sectional Facts for Macroeconomists, 2010, available here <https://economicdynamics.org/si-cross-facts/>

Song, J. D. Price, F. Guvenen, N. Bloom & T. von Wachter, "Firming Up Inequality", *Quarterly Journal of Economics*, 2018

Piketty T. E. Saez and G. Zucman "Distributional National Accounts: Methods and Estimates for the United States" *Quarterly Journal of Economics*, 2018

Blanchet, T., L. Chancel, and A. Gethin. "Why Is Europe More Equal than the United States?" *American Economic Journal: Applied Economics*, 2022

Guvenen F., L. Pistaferri & G. Violante, "Global trends in income inequality and income dynamics: New insights from GRID," *Quantitative Economics*, 2022

Heathcote, J., F. Perri, G. Violante & L. Zhang, "More Unequal We Stand? Inequality Dynamics in the United States 1967–2021", *Review of Economic Dynamics*, 2023

Salgado, S., N. Bloom, F. Guvenen, L. Pistaferri and J. Sabelhaus, Evaluating the great micro moderation, working paper 2024

Lecture 2. Neoclassical models of inequality and macro: theory

Readings:

Aiyagari, R, "Uninsured Idiosyncratic Risk and Aggregate Saving", *The Quarterly Journal of Economics*, 1994

Davila, J. J. Hong, P. Krusell and J.V. Rios-Rull, "Constrained Efficiency in the Neoclassical Growth Model With Uninsurable Idiosyncratic Shocks", *Econometrica* 2012

Wang N. "Caballero Meets Bewley: The Permanent-Income Hypothesis in General Equilibrium", *American Economic Review*, 2003

Aguiar, M. C. Arellano and M. Amador, "Micro Risks and (Robust) Pareto Improving Policies", Working paper 2023

Lecture 3. Neoclassical models of inequality and macro: bringing together theory and data

Readings:

Krueger, D, K. Mitman and F. Perri., "Macroeconomics and Household Heterogeneity." Chapter 12, Handbook of Macroeconomics Vol 2A, 2016

Guerrieri V. and G. Lorenzoni, Credit Crises, "Precautionary Savings and the Liquidity Trap", Quarterly Journal of Economics, 2017

Heathcote, J. F. Perri and G. Violante, "The rise of US earnings inequality: Does the cycle drive the trend?", Review of Economic Dynamics, 2020

Gaillard A. C. Hellwig P. Wangner and N. Werquin Consumption, Wealth, and Income Inequality: A Tale of Tails, working paper 2024

Lecture 4. Neokeynesian models of inequality and macro

Readings:

Kaplan G. B. Moll and G. Violante, "Monetary Policy According to HANK", American Economic Review, 2018

Heathcote J. & F. Perri, "Wealth and Volatility", Review of Economic Studies, 2018

Berger D. L. Bocola and A. Dovis, "Imperfect Risk-Sharing and the Business Cycle", Quarterly Journal of Economics, 2023

Bilbie F. "Monetary Policy and Heterogeneity: An Analytical Framework", Review of Economic Studies, forthcoming, 2024

Lecture 5 Applications

Monetary Policy and Inequality

McKay A. & C. Wolf, "Monetary Policy and Inequality", Journal of Economic Perspectives, 2023

Trade and Inequality

Waugh M., "Heterogenous Agents Trade", working paper 2024

Inequality, segregation and intergenerational mobility

Fogli A. V. Guerrieri, M. Ponder & M. Prato "The End of the American Dream? Inequality and Segregation in US Cities", working paper 2023

Inequality and growth

Lippi F. and F. Perri, "Unequal Growth", Journal of Monetary Economics, 2023