LECTURE 23

INCOME INEQUALITY AND MACROECONOMIC BEHAVIOR
APRIL 18, 2013

I. OVERVIEW
   A. Changes in inequality over the past hundred years
   B. Understanding the rise in inequality in recent decades
      1. The race between education and technology
      2. Other factors that may have contributed to the rise in inequality
   C. The effects of the business cycle on inequality

II. IS INEQUALITY A SOURCE OF RECESSIONS AND/OR FINANCIAL CRISSES?
   A. Competing Views
      1. The mainstream view
      2. The alternative view
   B. Idea #1: Inequality and aggregate demand
      1. The basic idea
      2. Does this help us understand what happened in the 2000s?
      3. Does this help us understand the weak recovery?
   C. Idea #2: Speculation and bubbles
      1. The basic idea
      2. Reich’s evidence
      3. What other evidence might one want to look at?
   D. Idea #3: Unsustainable credit expansion
      1. Reich’s version
      2. Rajan’s version
      3. Reich’s and Rajan’s evidence
      4. What other evidence might one want to look at?
      5. Some evidence on affordable housing programs
   E. Conclusions