ECON 247
Structural changes in the modern macroeconomy
Fall 2021

Instructor: *Prof. Joachim Hubmer*, email: jhubmer@sas.upenn.edu
In-person Lectures: Tuesday, Thursday 3.30-5.00pm
Instructor Office Hours: Wednesday, 9-10am, @Zoom; Thursday, 5-6pm, PCPE Room 504

Teaching Assistant: Leon Huetsch, email: lhuetsch@sas.upenn.edu
T.A. Office Hours: Monday, 5-6pm, @Zoom; Friday, 10-11am, in-person TBA

   Required readings: Lecture slides uploaded @Canvas. No required textbook; the long-run chapters in Charles I. Jones "Macroeconomics" (Norton & Company) are useful background readings. We will also read academic and policy papers; parts of them will be too advanced and the slides will contain the necessary material in simplified form.

   Course Description: Over the past few decades, the U.S. as well as other advanced economies have undergone a secular transformation: while overall economic growth has slowed down mildly, the fruits of economic growth have been spread unevenly. Income and wealth inequality have increased, the labor share of national income has decreased, economic activity has increasingly concentrated at a few superstar firms, and business dynamism has declined. The observed developments have generated strong reactions across the political spectrum. Is the American Dream really still alive, or might it be that a large fraction of the population simply will no longer be able to productively contribute to society? The aim of this course is to introduce advanced undergraduate students to the main empirical facts and theoretical tools involved in studying these developments through a macroeconomic lens. We will carefully analyze the data using the tools of applied (micro-)economics and interpret them using basic macroeconomic models.
   Interested students should have taken ECON 101, 102, 103; MATH 104, 114 or 115. Some basic knowledge of regression analysis is also recommended.
   My first goal, however, is that you and I have fun with the course. Economics, in particular economic growth, is exciting and I hope that you will share my excitement by being a lively crowd that actively participates in class, asks a lot of questions, and brings in diverse viewpoints

   Grading: There will be overall 3 homework assignments, 3 midterms, and 1 participation grade requirement. All of them will count towards your final grade, but your respective worst midterm and worst homework assignment will be discounted. The precise break-down is as follows:

> 1st Highest Midterm 30%
> 2nd Highest Midterm 30%
> Lowest Midterm 10%
> 1st Highest Assignment 10%
> 2nd Highest Assignment 10%
> Lowest Homework Assignment 5%
> Participation Grade 5%

Following departmental guidelines, on average about 30-40% of students receive As, 50-60% Bs, and 0-10% Cs, with some flexibility. This is not a strict curve.

No Make-Up Exam: There will be NO make-up test if you have to miss any of the midterms unless you miss **2 or more** midterms due to a valid excuse, as defined by departmental policies: https://economics.sas.upenn.edu/undergraduate/course-information/course-policies.
If you miss one of the first two midterms (with or without a valid excuse), I will count it as your lowest midterm, assign 0% weight, and upgrade the weights of the remaining two midterms to 35% each. Hence, you do not need to provide us with a formal excuse. To prevent strategic manipulation, the following applies to the last midterm: if you miss it without a valid excuse, it will enter with a score of 0 and the maintained weight of 10%. If you have a valid excuse, we will apply the re-weighting scheme.

Regrading fairness policy: If you have complaints about the grading, do the following. Within 1 week after you receive the midterm/assignment, send back to me your graded midterm/assignment and a written statement explaining your complaint (i.e. which question you think was graded wrongly and why you think it was graded wrongly). I will then regrade the whole midterm/assignment. Please note that there is no guarantee that, after the midterm/assignment has been regraded, your score will be higher than before and it may be lower. A week after the midterm/assignment has been returned the scores cannot be changed anymore and no further complaints will be accepted.

Exam dates: Homework due dates and exam dates are indicated below. Please review the dates carefully. Completed homeworks are to be submitted **before class starts at 3.30pm** on the day they are due.

Assignment	Dates
Assignment #1	Sept 23 (Thu)
Midterm Exam #1	Sept 28 (Tue)
Assignment #2	Oct 28 (Thu)
Midterm Exam #2	Nov 2 (Tue)
Assignment #3	Dec 7 (Tue)
Midterm Exam #3	Dec 9 (Thu)

If you have a conflict with any of these dates (including religious observance) please let me know before September 3rd. After that date I cannot accommodate personal issues.

Midterm Exams: Midterms are generally in person, closed book, and not cumulative.

Participation Grade: You are strongly encouraged to attend class, and participate actively. However, I will not take attendance, and there is no need to let me know me if you cannot attend class for any reason. To fulfill the participation grade requirement, you must present once: a presentation should last no more than 5-10 minutes. A few Powerpoint/Pdf slides suffice. You can pick a newspaper article from a respected outlet such as The Economist, New York Times, Wall Street Journal, Financial Times, that broadly relates to any of the topics we're covering. Another excellent (and free) option is VoxEU.org – this website contains accessible policy pieces based on recent academic research. Your presentation should summarize the key points of the article and you should try to relate to the course content. You may fulfill this requirement in groups of up to 2 students—to economize on the total number of talks I encourage you to do so. I will provide a Canvas sign-up sheet to coordinate.

Content of the Course: This is an outline of the topics that I intend to cover. The list of topics may be revised during the course as we may not be able to cover all the material:

- Introduction and facts
- Basic neoclassical model
- Structural change

- Labor share of income
- Labor income distribution
- Wealth inequality
- Business dynamism

Class Schedule: This schedule is tentative and subject to change depending on progress.

Tue	8/31	L1: Introduction and facts
Thu	9/2	L2: Basic model, tools, and measurement
Tue	9/7	L3: Basic model, tools, and measurement
Thu	9/9	L4: Basic model, tools, and measurement
Tue	9/14	L5: Structural change
Thu	9/16	L6: Structural change
Tue	9/21	L7: Structural change
Thu	9/23	L8: Structural change, HW I due
Tue	9/28	Midterm I
Thu	9/30	L9: Labor share
Tue	10/5	L10: Labor share
Thu	10/7	L11: Labor share
Tue	10/12	L12: Labor share
Thu	10/14	Fall break, no class
Tue	10/19	L13: Labor income inequality
Thu	10/21	L14: Labor income inequality
Tue	10/26	L15: Labor income inequality
Thu	10/28	L16: Labor income inequality, HW II due
Tue	11/2	Midterm II
Thu	11/4	L17: Labor income inequality
Tue	11/9	L18: Labor income inequality
Thu	11/11	L19: Wealth inequality
Tue	11/16	L20: Wealth inequality
Thu	11/18	L21: Wealth inequality
Tue	11/23	L22: Wealth inequality
Thu	11/25	No class, Thanksgiving
Tue	11/30	L23: Business dynamism
Thu	12/2	L24: Business dynamism
Tue	12/7	L25: Review, HW III due
Thu	12/9	Midterm III