

Public Policy 556

Macroeconomics

Josh Hausman

Course Information and Procedures

Location and time

Class meets Monday and Wednesday 1-2:20pm in Weill 1210.

Description

This course will teach students the basic tools of macroeconomics and will apply them to real world economic policy. The goals of the course are for students to: (a) understand how to evaluate macroeconomic conditions such as unemployment, inflation, and growth; (b) understand how monetary and fiscal policy can be used to influence macroeconomic conditions; (c) understand media accounts of macroeconomic events.

Course requirements

There will be 4 problem sets, a short (4 page) book review, a midterm on **10/24** and a final on **December 13th, 4:00pm-6:00pm**. **NOTE: THE FINAL WILL NOT BE RESCHEDULED** (except for medical reasons). **IF YOU CANNOT MAKE THE FINAL EXAM DATE, YOU SHOULD NOT TAKE THIS CLASS.**

Grades will be weighted as follows:

- Problem sets and class participation: 10%
- Book review (see next page): 30%
- Midterm: 20%.
- Final: 40%.

Key dates:

- Problem sets due: 9/19, 10/3, 11/14, 12/3.
- Book review: Paragraph explaining choice of book due 10/31; complete book review due 12/10.
- Exams: Midterm on 10/24; final on 12/13.

Contact information and office hours

Email: hausmanj@umich.edu

Office phone: (734) 763-3479

Office hours: Mondays and Wednesdays, 2:30 – 3:30pm in Weill 3309.

Course prerequisites: PUBPOL 555 or Economics 401 (Intermediate Microeconomics), or the equivalent, and graduate standing.

Book review project

Students will select a book on a topic related to the course material. They will write a roughly four page (1000 word) critical review of the book. Good reviews will (1) summarize the main argument of the book; (2) discuss how the book relates to a model we learned in the course (the Solow growth model, IS-MP, or AD-IA); (3) describe at least one thing you learned from the book that surprised you; (4) discuss at least one thing in the book that could be improved.

Below is a list of suggested books. If you would like to review a book not on this list, please talk to me. In particular, the list below is focused on U.S. / global perspectives. If you are interested in another country or region, come talk to me, and we will find an appropriate book.

Suggested books

1. Long-run growth

- Council of Economic Advisors. 2018. [*Economic Report of the President*](#).
- Cowen, Tyler. 2017. *The Complacent Class: The Self-Defeating Quest for the American Dream*.
- Frieden, Jeffrey A. 2006. *Global Capitalism*.
- Gordon, Robert J. 2016. *The Rise and Fall of American Growth*.

2. Business cycles

- Akerlof, George A. and Robert J. Shiller. 2009. *Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism*.
- Eichengreen, Barry. 2015. *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses---and Misuses---of History*.
- Friedman, Milton and Anna Jacobson Schwartz. 1963. *The Great Contraction, 1929-1933*.
- Mian, Atif and Amir Sufi. *House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again*.

3. Inequality

- Goldin, Claudia and Lawrence F. Katz. 2008. *The Race Between Education and Technology*.
- Lewis, W. Arthur. 1978. *The Evolution of the International Economic Order*.
- Piketty, Thomas. 2014. *Capital in the Twenty-First Century*.

4. Political economy (i.e. political consequences of macroeconomic changes).

- Eichengreen, Barry. 2018. *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.
- Frieden, Benjamin M. 2006. *The Moral Consequences of Economic Growth*.
- Tooze, Adam. 2018. *Crashed: How a Decade of Financial Crises Changed the World*.

5. Finance and the Federal Reserve

- Ball, Laurence M. 2018. *The Fed and Lehman Brothers*.
- Baradaran, Mehrsa. 2017. *The Color of Money: Black Banks and the Racial Wealth Gap*.
- Calomiris, Charles W. and Stephen H. Haber. 2014. *Fragile by Design*.
- Conti-Brown, Peter. 2016. *The Power and Independence of the Federal Reserve*.

Ford School Inclusivity Statement

Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

- share their unique experiences, values and beliefs
- be open to the views of others
- honor the uniqueness of their colleagues
- appreciate the opportunity that we have to learn from each other in this community
- value one another's opinions and communicate in a respectful manner
- keep confidential discussions that the community has of a personal (or professional) nature
- use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community

Students with Disabilities

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, I can work with the Office of Services for Students with Disabilities to help determine appropriate accommodations. I will treat any information you provide as private and confidential.

Student Mental Health and Wellbeing

The University of Michigan is committed to advancing the mental health and wellbeing of its students. We acknowledge that a variety of issues, such as strained relationships, increased anxiety, alcohol/drug problems, and depression, directly impacts students' academic performance. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact Counseling and Psychological Services (CAPS) and/or University Health Service (UHS). For a listing of other mental health resources available on and off campus, visit: <http://umich.edu/~mhealth/>.

Use of technology

- Please do not blog or tweet anything that I say in class without my consent.
- Please talk to me before recording or photographing any of class.
- While I do not ban electronics in class, I encourage you to take notes by hand. Research suggests that this improves learning (<https://www.nytimes.com/2017/11/22/business/laptops-not-during-lecture-or-meeting.html>).

Ford School Academic Expectations: I expect all students to review and abide by the Ford School academic expectations given here, <http://fordschool.umich.edu/academics/expectations>. I am happy to discuss any questions you may have.

Readings

Required textbook:

Mankiw, N. Gregory. 2016. *Macroeconomics*, Ninth Edition, New York: Worth Publishers.

You may use earlier (and much cheaper!) editions of the textbook. But be aware that chapter numbering has changed. (And you will miss some of the interesting recent empirical examples.)

Other course readings: Other than this required book, and the book that you choose to read for your book review, all readings are linked to below or will be available on Canvas.

In addition to the required readings listed below, I will sometimes distribute short articles on Canvas on topics related to the course material.

Media and blogs

Students are urged to stay up-to-date with current macroeconomic news. Standard sources are the *Wall Street Journal* (www.wsj.com), the *Financial Times* (www.ft.com), and the *Economist* (www.economist.com).

An enormous amount of high-quality debate about macro policy now occurs on blogs.

Particularly recommended are:

<http://marginalrevolution.com>

<https://www.nytimes.com/column/paul-krugman>

<http://gregmankiw.blogspot.com>

<http://carolabinder.blogspot.com>

<http://delong.typepad.com>

<http://www.econbrowser.com>

<http://www.economist.com/blogs/freeexchange>

<https://growthecon.com>

<http://johnhcochrane.blogspot.com/>

<https://ftalphaville.ft.com>

<http://worthwhile.typepad.com>

Daily schedule. All listed readings are required.

With the exception of the first day (9/5), all readings should be done before class.

I. Classical Theory and Long-Run Growth

9/5: Introduction

- Mankiw, chapters 1 and 2.

9/10: Gross domestic product (GDP) and its components

- Mankiw, chapter 3.
- Krugman, Paul. "[For Whom the Economy Grows.](#)" *New York Times*, 8/31/18.

9/12: Unemployment. PROBLEM SET 1 DISTRIBUTED.

- Mankiw, chapter 7.
- Rampell, Catherine. "[Dude, where's my pay raise?](#)" *Washington Post*, 5/17/18.

9/17: Money.

- Mankiw, chapter 4.

9/19: Inflation. PROBLEM SET 1 DUE.

- Mankiw, chapter 5.
- Applebaum, Binyamin. "Economists are Different from You and Me." *New York Times*, Economix blog, December 2nd, 2013.

9/24: Application: Electronic money; Brendan Malone ('15) financial services analyst at the Federal Reserve Board visits class.

- Bohme, Rainer, Nicolas Christin, Benjamin Edelman, and Tyler Moore, "[Bitcoin: Economics, Technology, and Governance](#)," *Journal of Economic Perspectives*, volume 29, number 2, spring 2015, pp. 213-238.
- Bank for International Settlements, "[Central Bank Digital Currencies](#)."

9/26: Growth theory I. PROBLEM SET 2 DISTRIBUTED.

- Mankiw, chapter 8, section 8.1 only.
- Dasgupta, Partha. *Economics: A Very Short Introduction*. Oxford: Oxford University Press, 2007, pp. 1-13 only.

10/1: Growth theory II.

- Mankiw, chapter 8, sections 8.2-8.4 only.

10/3: Growth theory III and growth empirics. PROBLEM SET 2 DUE.

- Mankiw, chapter 9, sections 9.1-9.3 only.

10/8: Application: Inequality and capital accumulation

- Solow, Robert, "[Thomas Piketty Is Right](#)," *The New Republic*, April 22, 2014.
- Cowen, Tyler, "Capital Punishment: Why a Global Tax on Wealth Won't End Inequality." *Foreign Affairs*, May / June 2014, pp. 158-164.
- Dynarski, Susan. "[Fresh Proof that Strong Unions Help Reduce Income Inequality](#)." *New York Times*, 7/6/18.

II. Business cycles

10/10: Intro to short-run fluctuations.

- Mankiw, chapter 10.

10/17: The IS curve.

- Mankiw, chapter 11, section 11.1 only.

10/22: The IS-MP model.

- Romer, D. *Short Run Fluctuations*, preface and chapter 1 only.
- Frankel, Jeffrey. "[The Depth of the Next US Recession](#)." *Project Syndicate*, 8/27/18.

10/24: Midterm

10/29: Government debt and budget deficits.

- J. Bradford DeLong. [Budgeting and Macro Policy: A Primer](#) (Ebook, 2012).

10/31: The open economy. PARAGRAPH DUE EXPLAINING YOUR CHOICE OF BOOK TO REVIEW.

- Mankiw, chapter 6.

11/5: Floating exchange rates

- Romer, D. *Short Run Fluctuations*, chapter II, sections II-1 and II-2 only.

11/7: Fixed exchange rates. PROBLEM SET 3 DISTRIBUTED.

- Romer, D. *Short Run Fluctuations*, chapter II, sections II-3 and II-4 only.
- <To be determined.>

11/12: Application: The Great Depression.

- Christina D. Romer, "The Nation in Depression," *Journal of Economic Perspectives* 7 (Spring 1993): 19-39.

11/14: Aggregate supply and inflation I. PROBLEM SET 3 DUE.

- Romer, D. *Short Run Fluctuations*, chapter III, section III-1 only.

11/19: Aggregate supply and inflation II.

- Romer, D. *Short Run Fluctuations*, chapter III, section III-2 and III-3 only.

11/26: Application: The role of policymakers. PROBLEM SET 4 DISTRIBUTED.

- Christina D. Romer and David H. Romer, “Choosing the Federal Reserve Chair: Lessons from History,” *Journal of Economic Perspectives* 18 (Winter 2004): pp. 129-147 only.
- Burton A. Abrams, “How Richard Nixon Pressured Arthur Burns: Evidence from the Nixon Tapes,” *Journal of Economic Perspectives* 20 (Fall 2006): pp. 177-188.

11/28: The financial system.

- Mankiw, chapter 20.

12/3: Stabilization policy reconsidered. PROBLEM SET 4 DUE.

- Mankiw, chapter 18.

12/5: Application: The 2008 recession and recovery

- *Economic Report of the President*, Chapter 2 pp. 39-55 only (Washington, DC: Government Printing Office, 2010).

12/10: Epilogue and Review. BOOK REVIEW DUE.

- Mankiw, epilogue.

12/13 4:00-6:00 pm: FINAL EXAM.