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.
- 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**

2. **Business cycles**
   - Eichengreen, Barry. 2015. *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses---and Misuses---of History*.

3. **Inequality**

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

5. **Finance and 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:**

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://growththecon.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.

9/12: Unemployment. PROBLEM SET 1 DISTRIBUTED.
   • Mankiw, chapter 7.

9/17: Money.
   • Mankiw, chapter 4.

9/19: Inflation. PROBLEM SET 1 DUE.
   • Mankiw, chapter 5.

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

9/26: Growth theory I. PROBLEM SET 2 DISTRIBUTED.
   • Mankiw, chapter 8, section 8.1 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

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.

10/24: Midterm

10/29: Government debt and budget deficits.

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.

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.

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

12/10: Epilogue and Review. BOOK REVIEW DUE.
  • Mankiw, epilogue.

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