

Economics 442
Macroeconomic Policy

Lecture 1

1/18/2017

Instructor: Prof. Menzie Chinn

UW Madison

Spring 2017

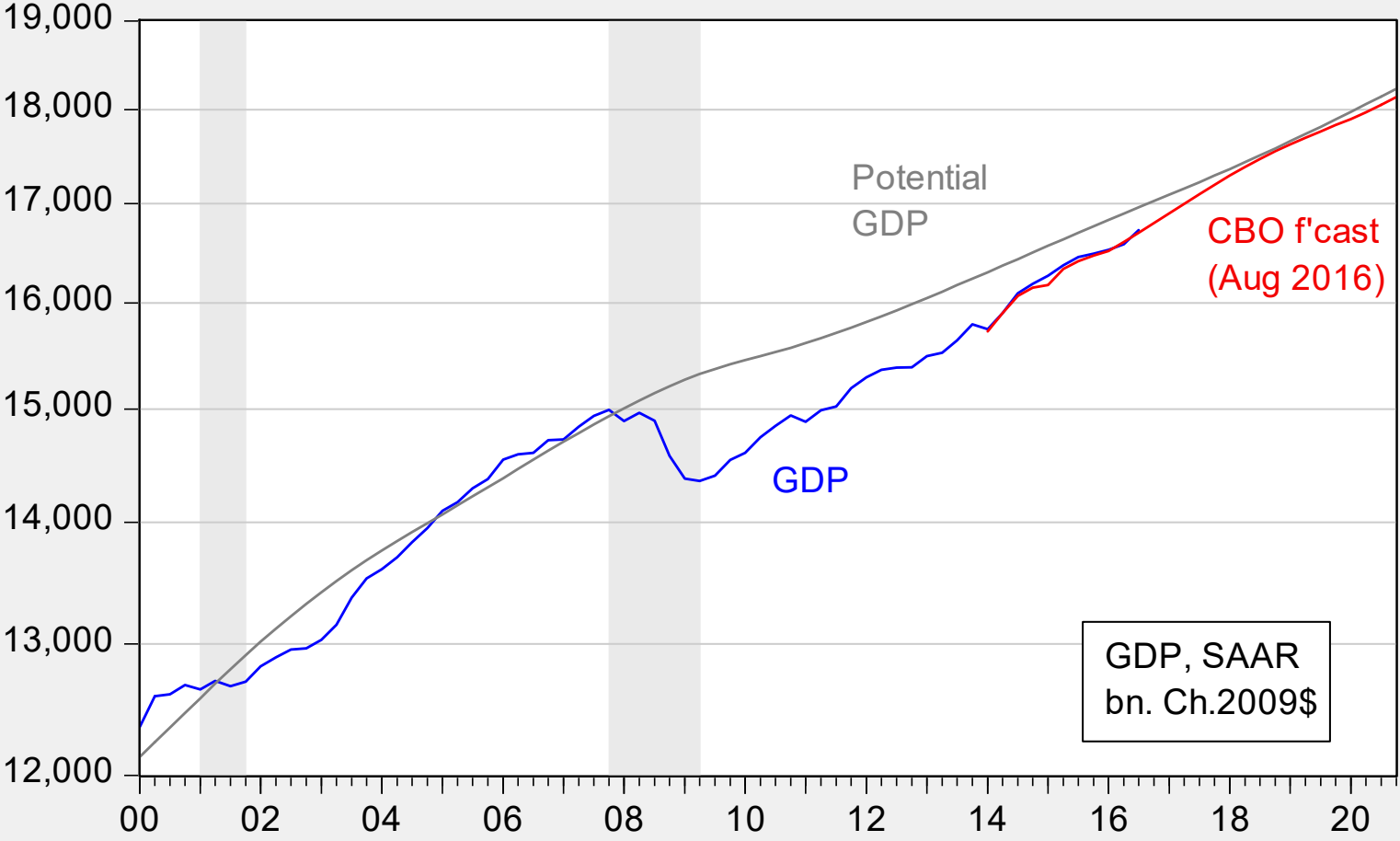
Administrative Issues

- Course website:
http://www.ssc.wisc.edu/~mchinn/web442_s17.html
- OH: MW 1-2, 7418 Soc Sci
- Textbook: Blanchard/Johnson,
Macroeconomics
- Additional Readings: from IMF, CBO, web,
Econbrowser
- *NYT, FT, WSJ, Economist*

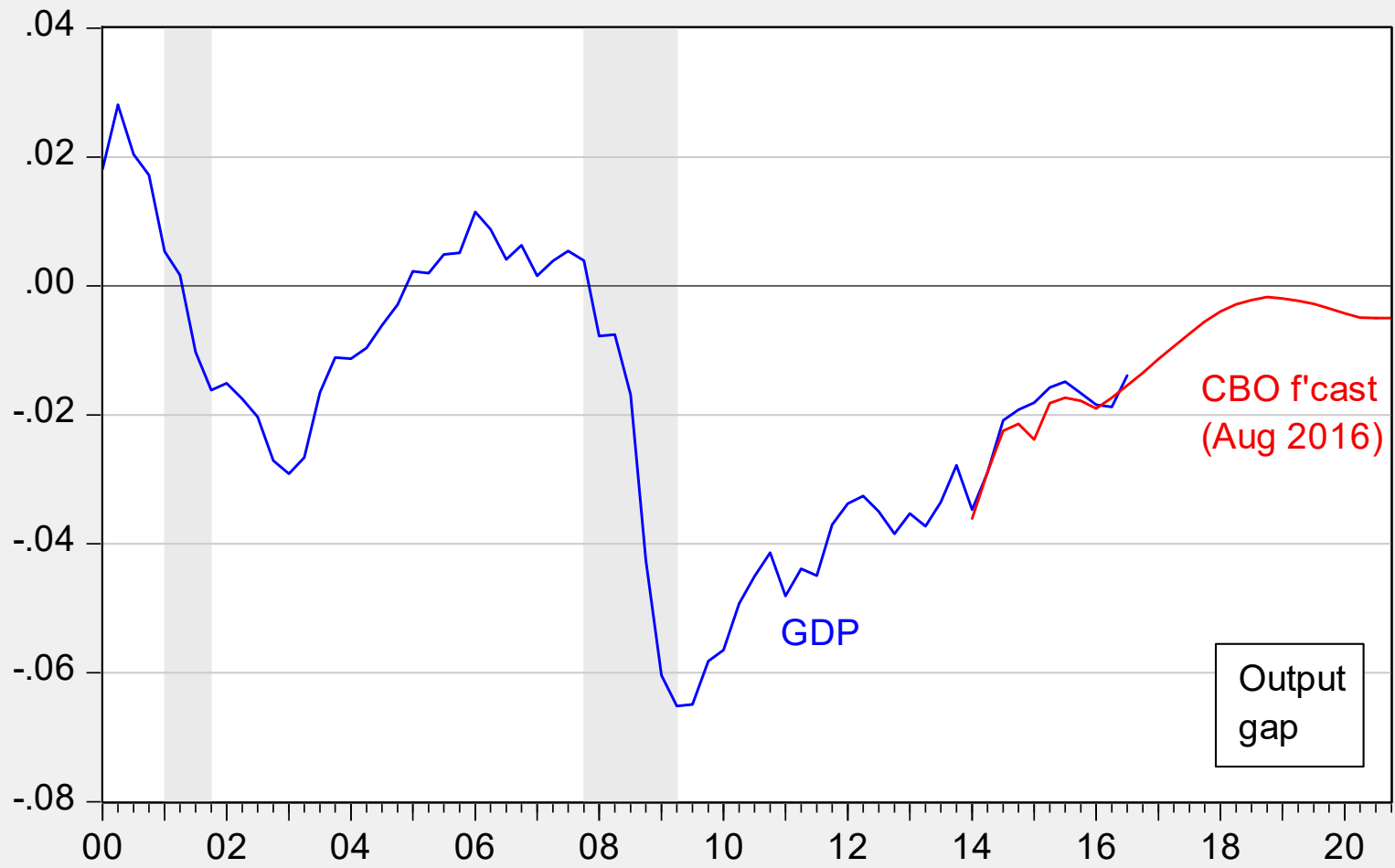
Administrative Issues

- Grading: 20% PS, 50% 2×MT, 30% paper
- Dates:
 - MT on 3/1, 4/19
 - **Paper due on Thu, 5/4**
- Make-ups: **None**. Points are re-allocated *if* you have a legitimate excuse. **No** late assignments accepted (must be handed in during lecture)

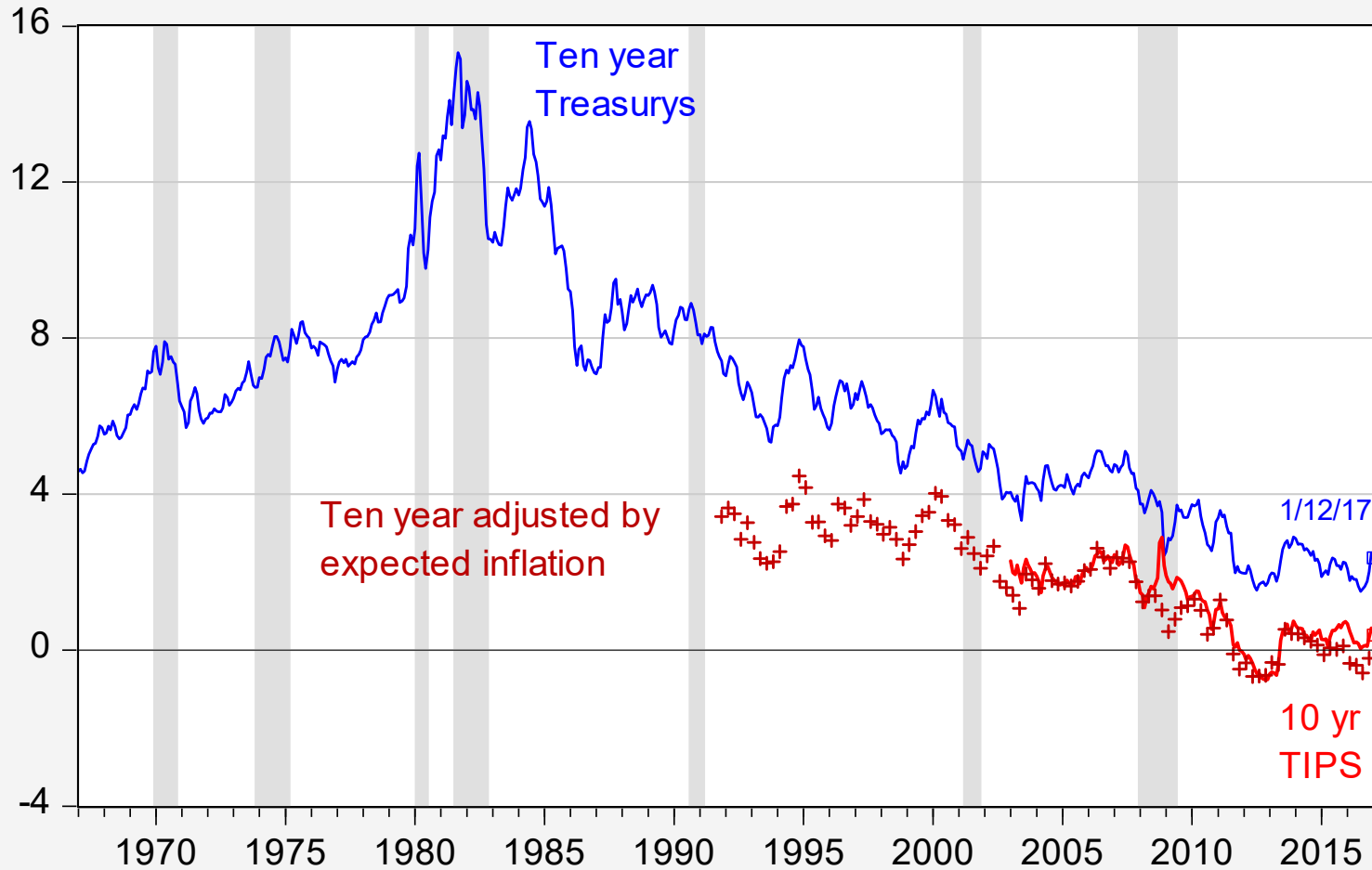
Secular Stagnation: Deficient AD



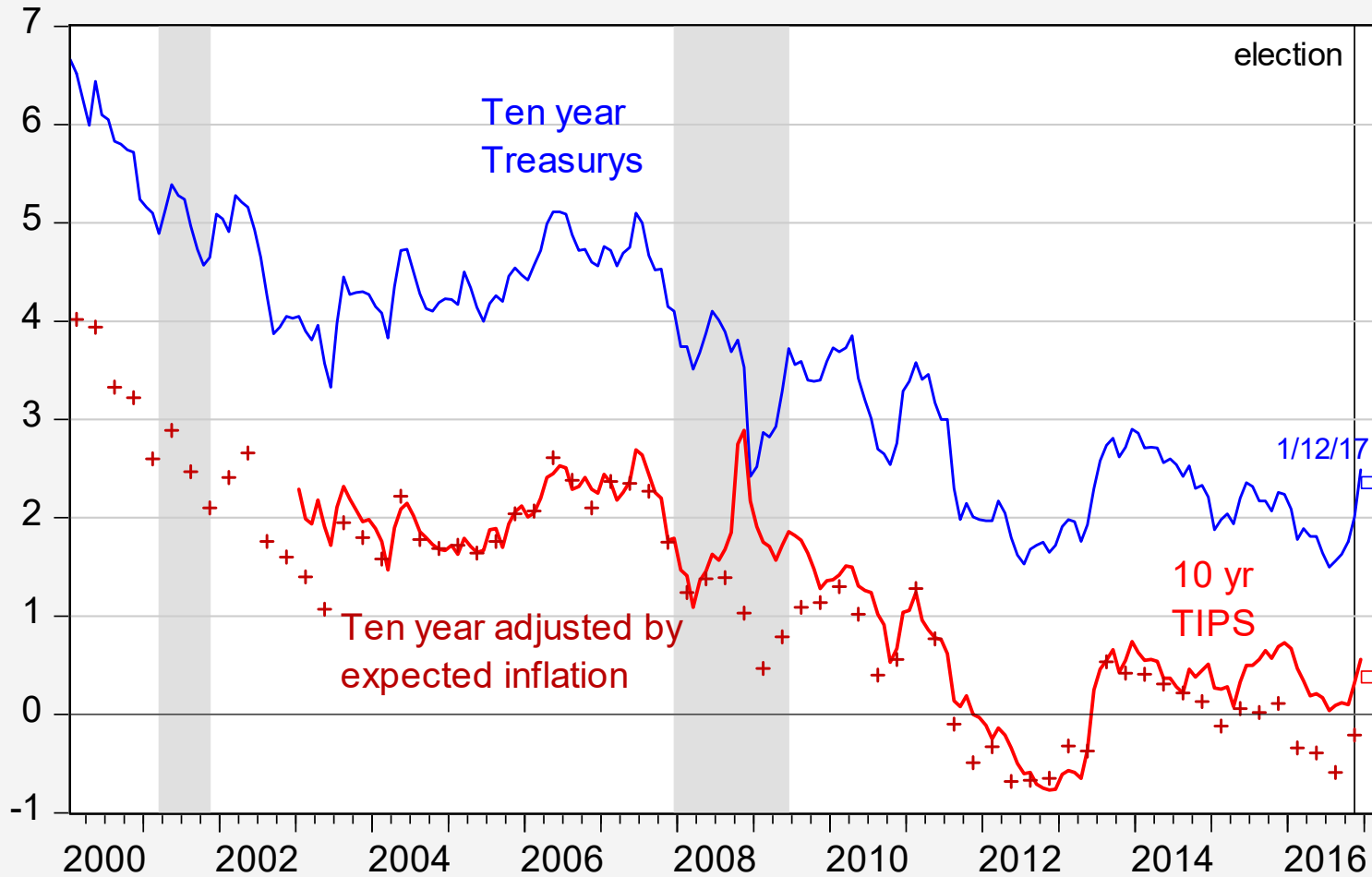
Source: BEA, 2016Q3 3rd rel., CBO, *Budget and Economic Outlook* (August 2016), NBER.



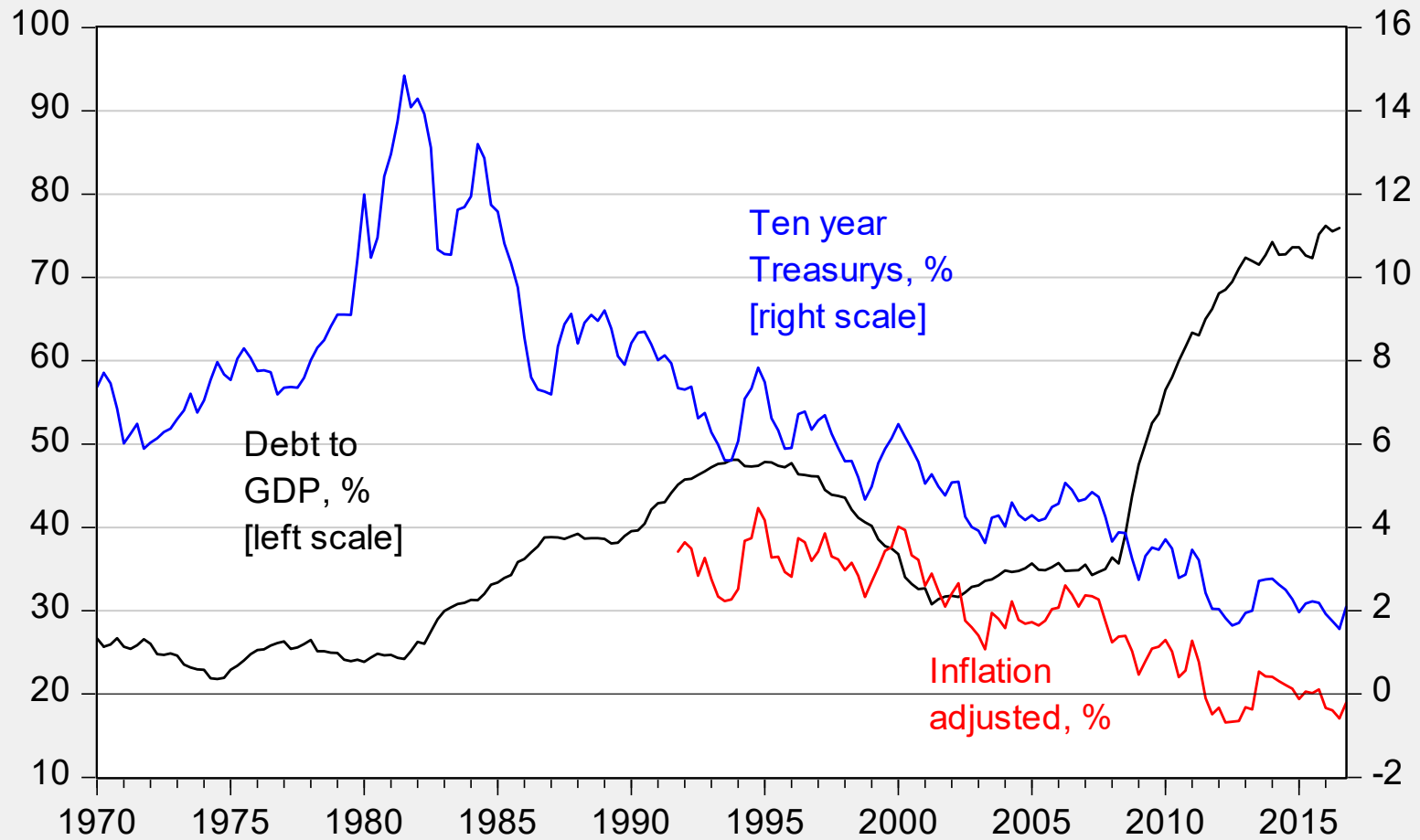
Secular Stagnation: Excess Saving?



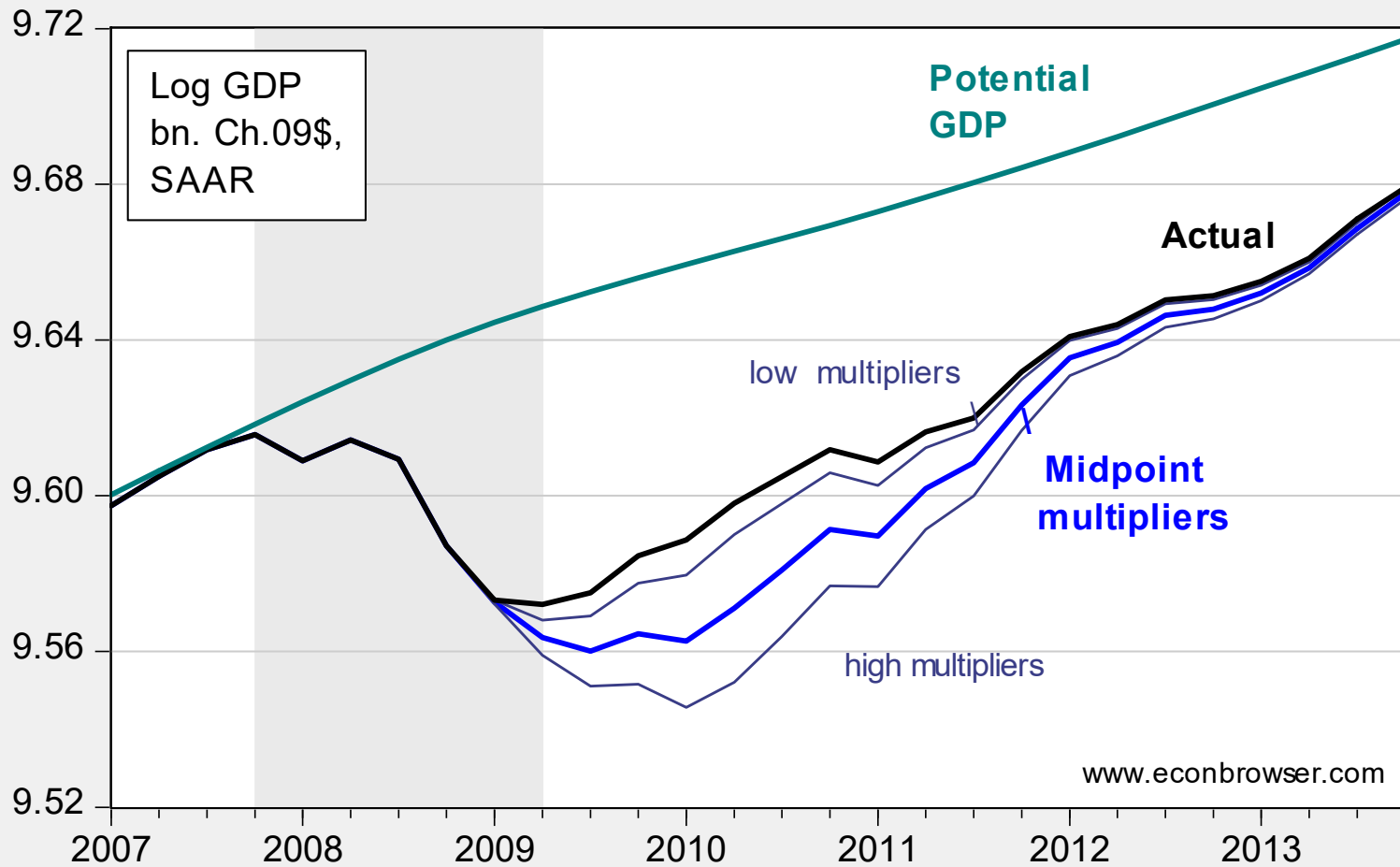
Secular Stagnation's End?



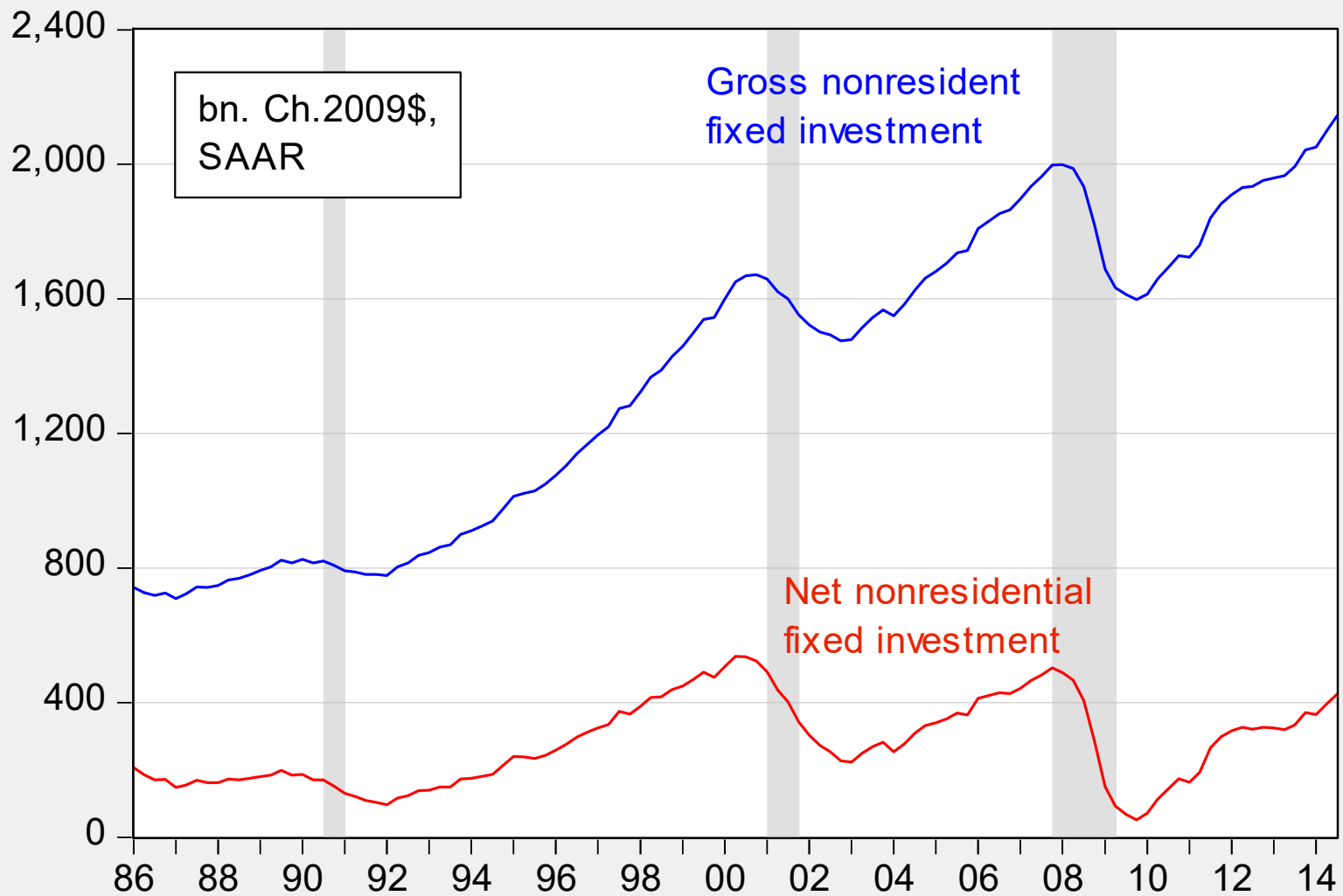
A Puzzle



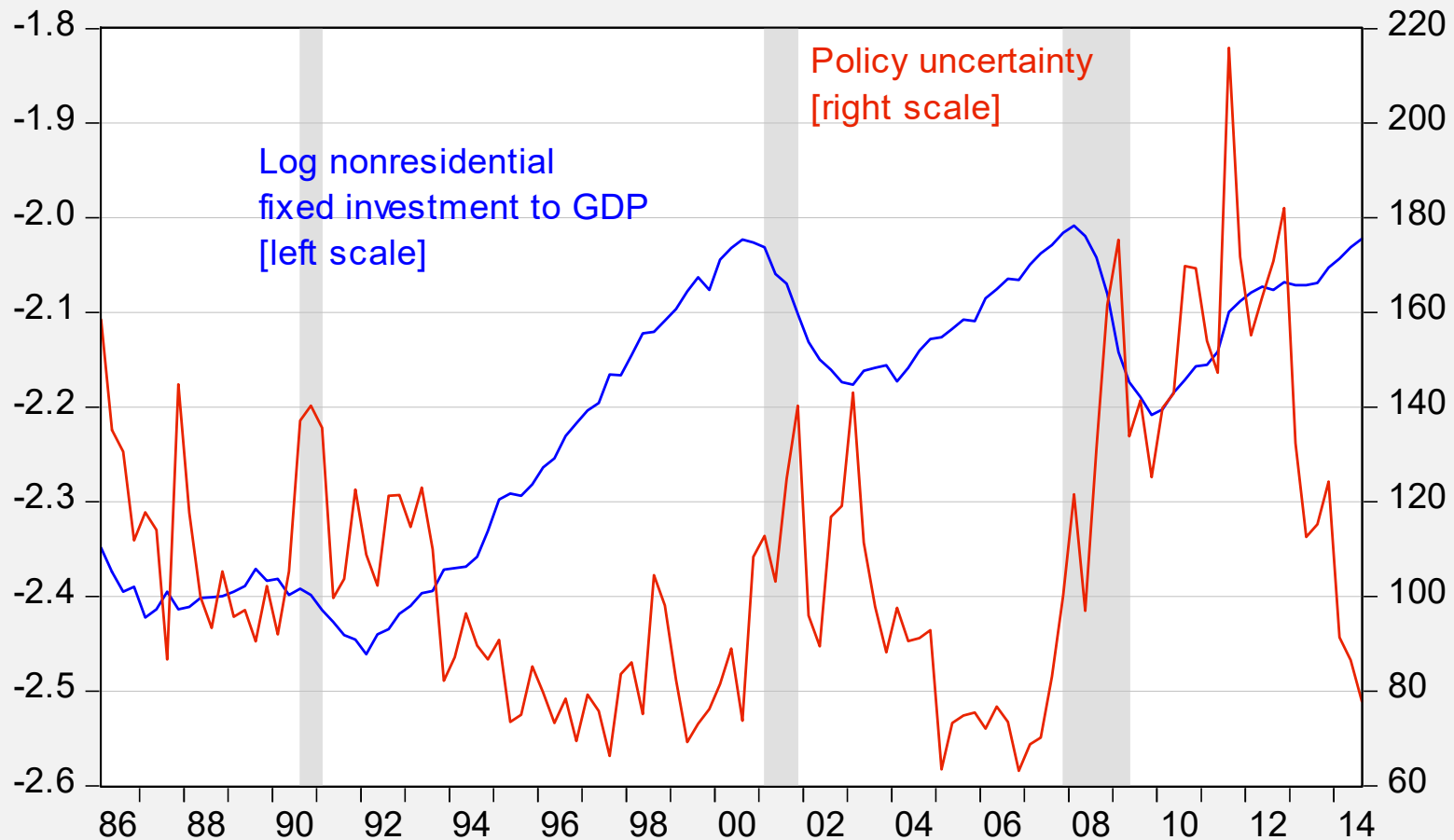
The Fiscal Policy Debate



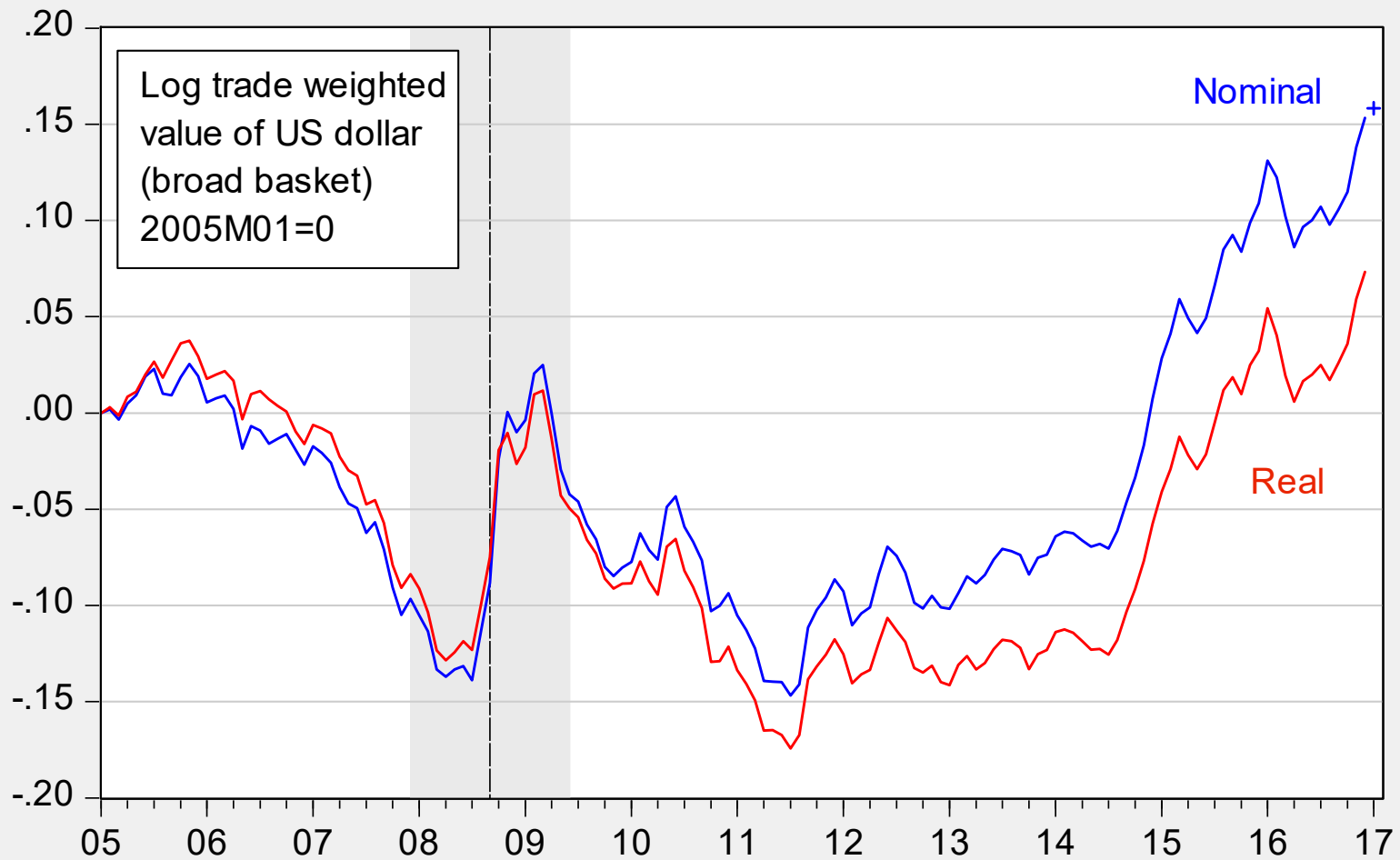
The Investment Puzzle



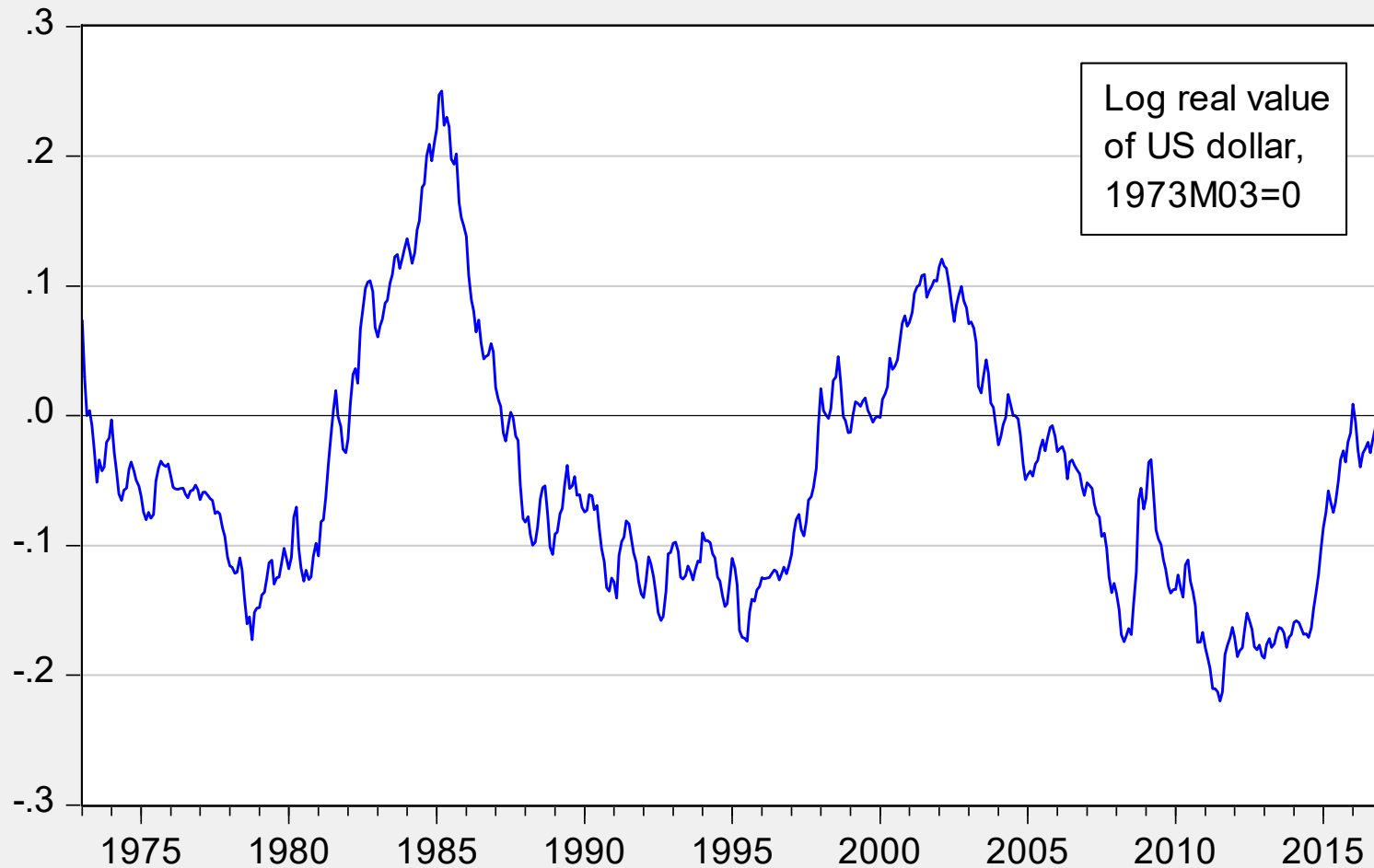
Investment and Uncertainty



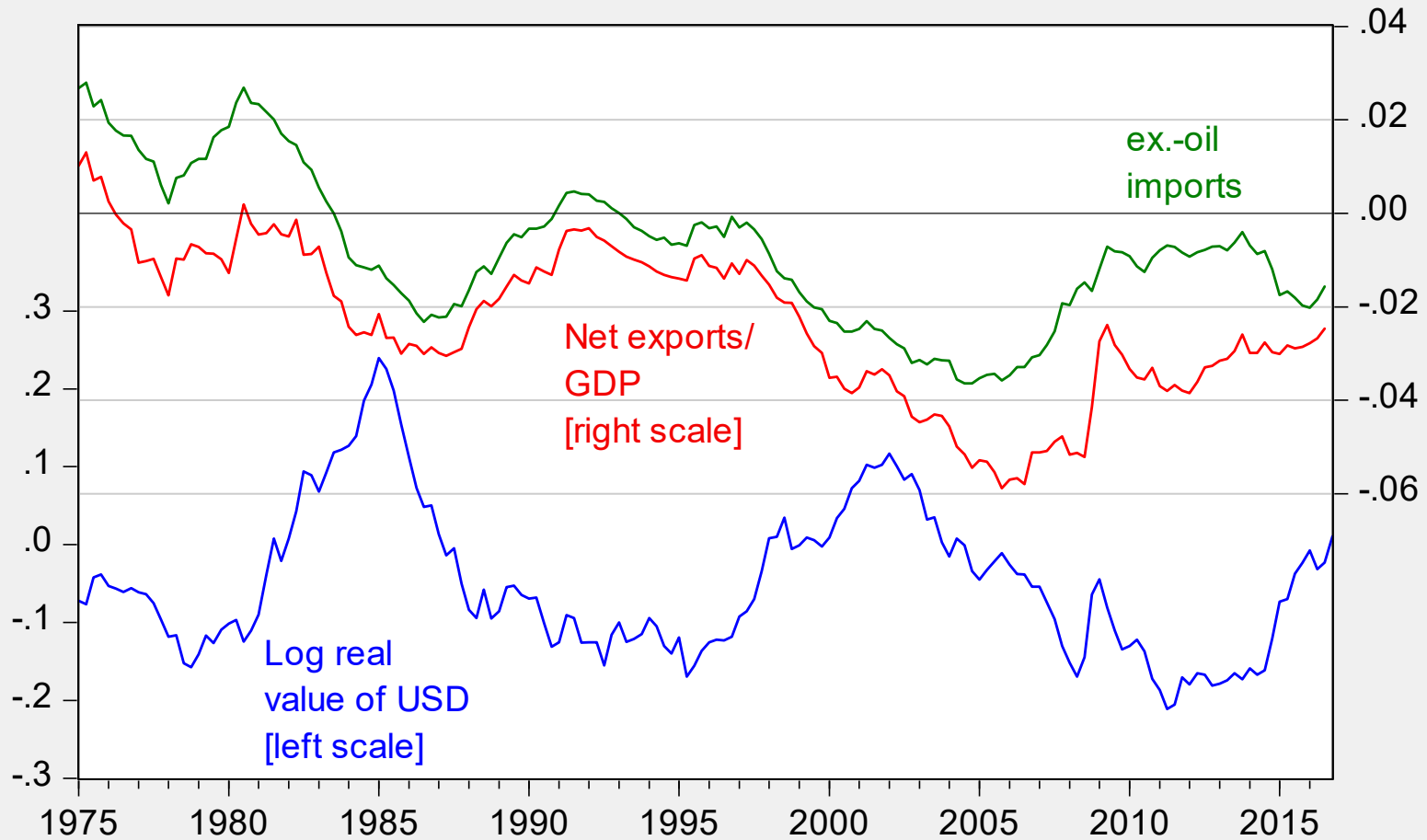
Rise of the Dollar



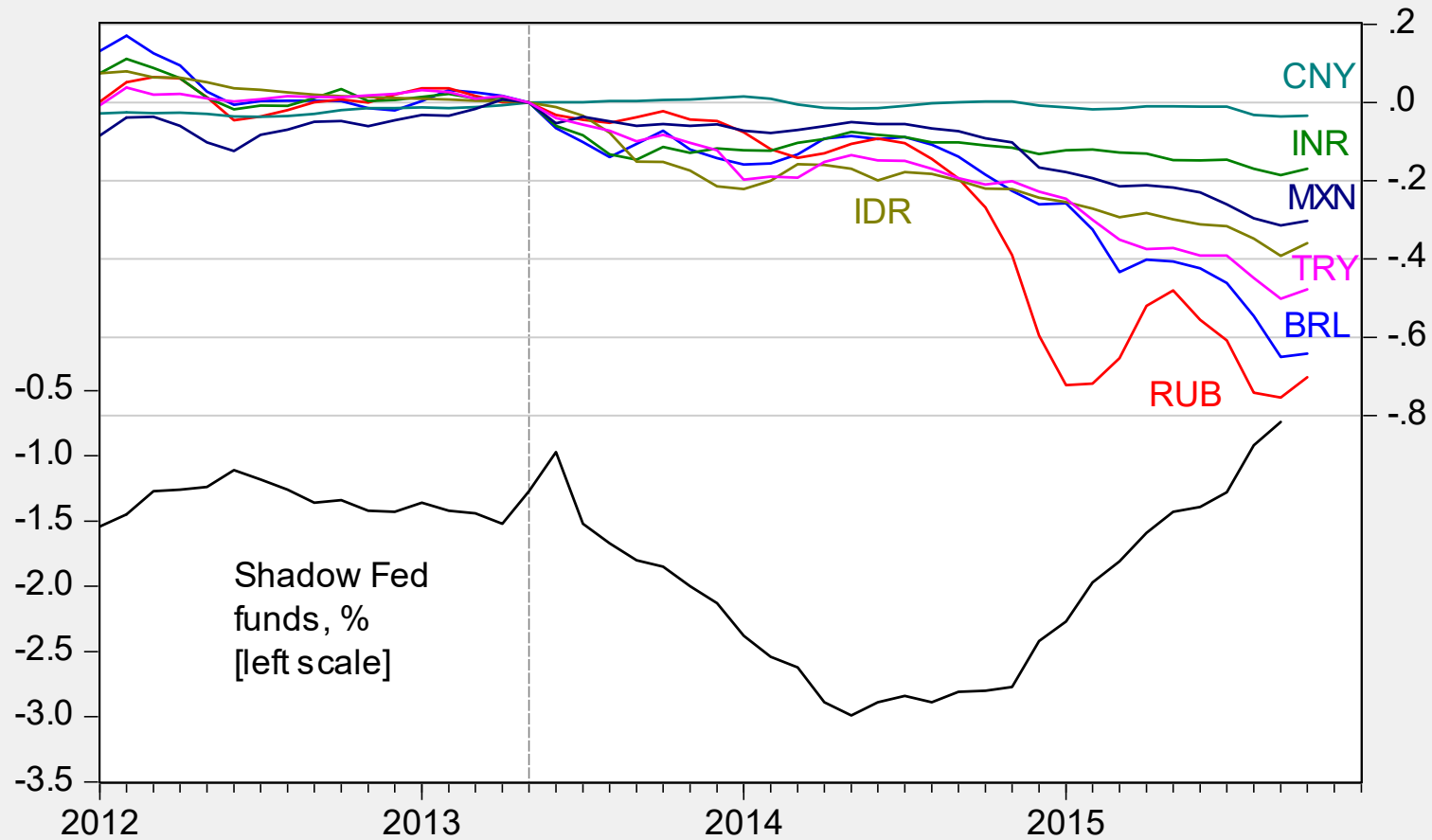
The Dollar's Rise in Perspective



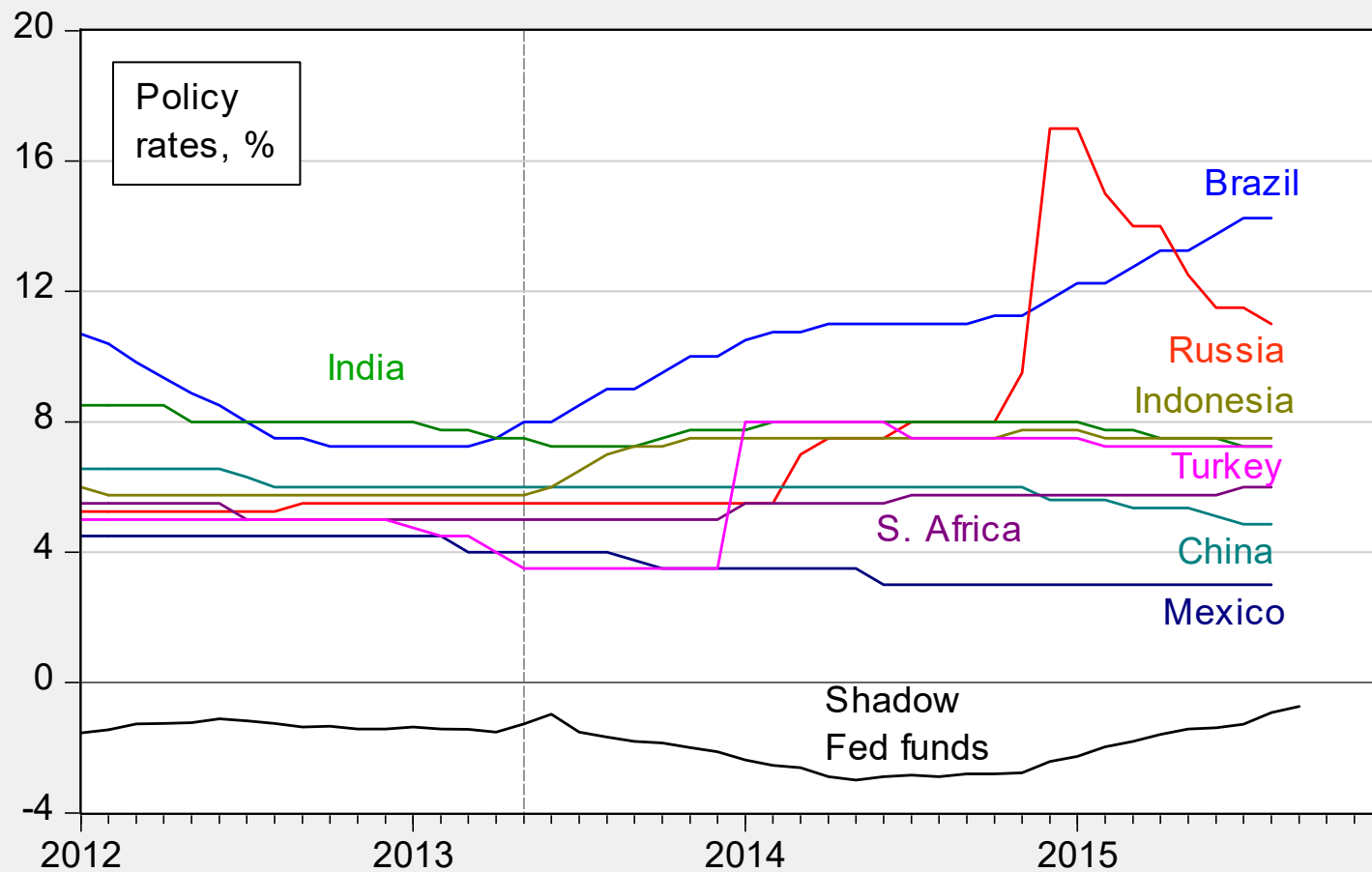
The Dollar and Net Exports



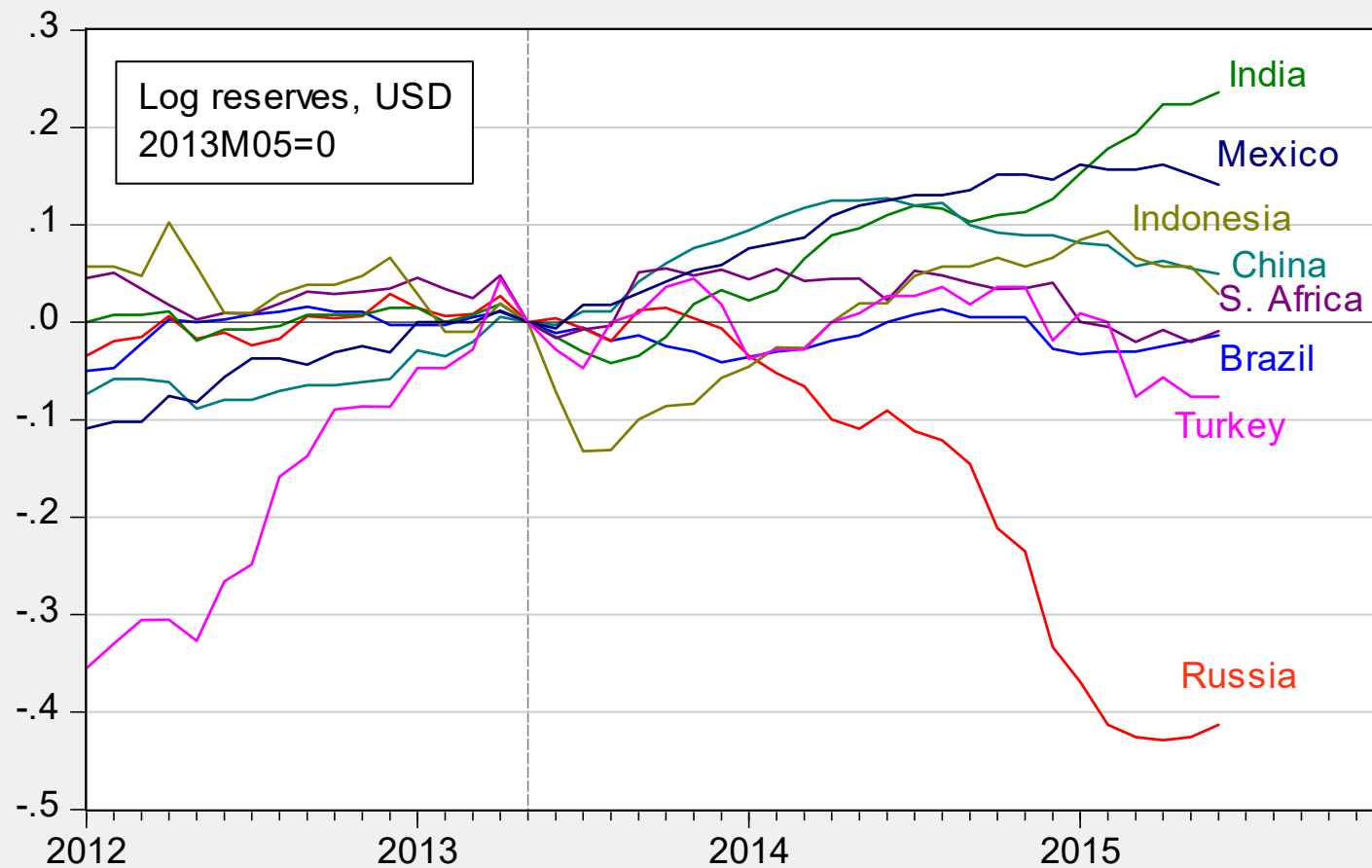
Emerging Markets under Stress



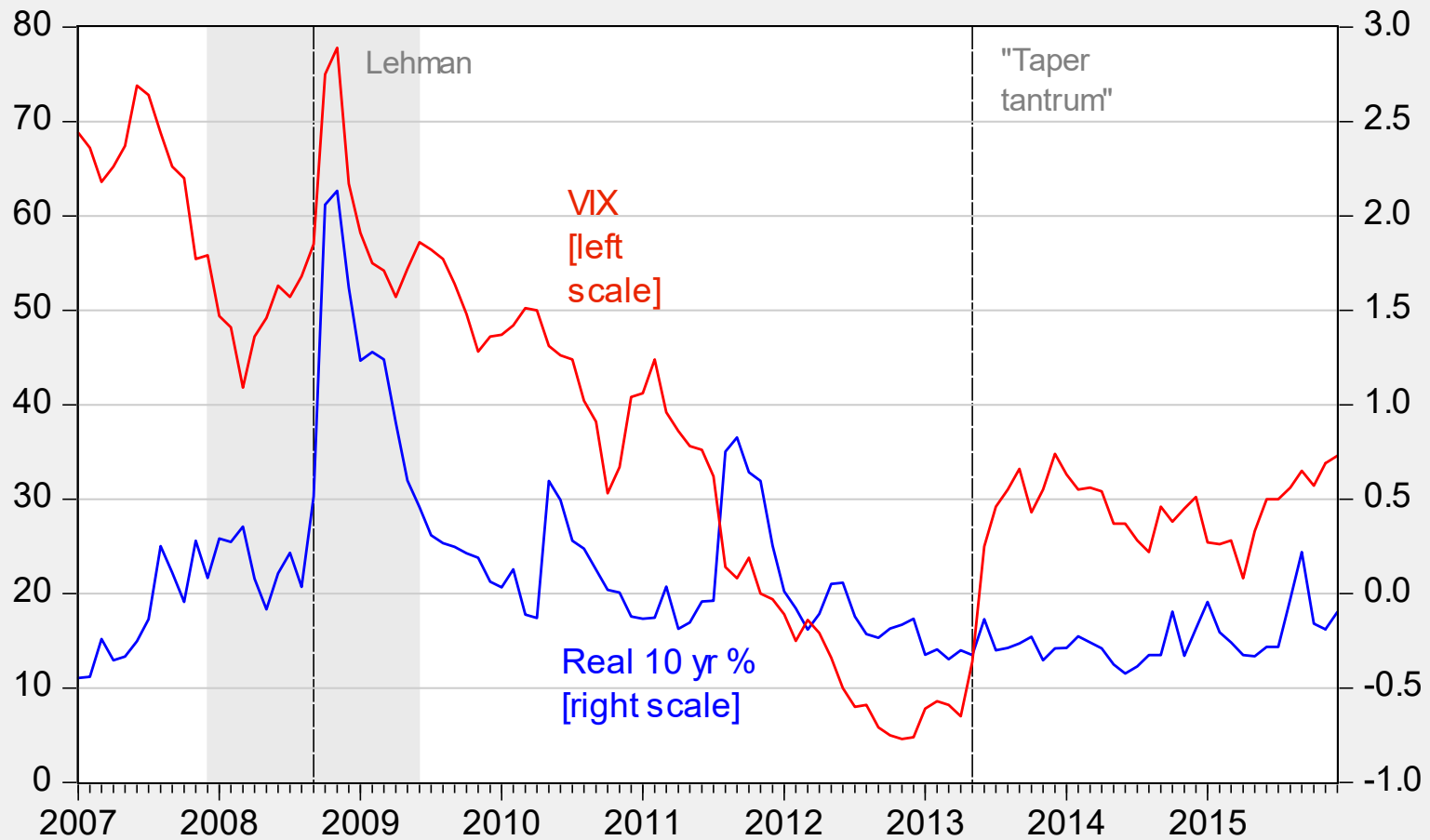
Emerging Markets under Stress



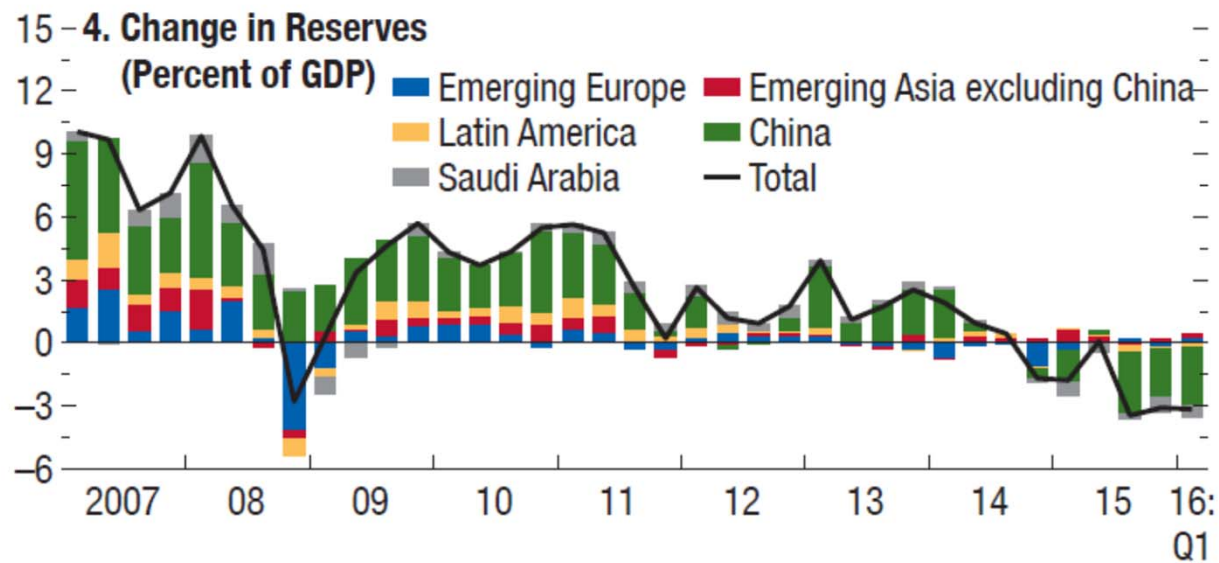
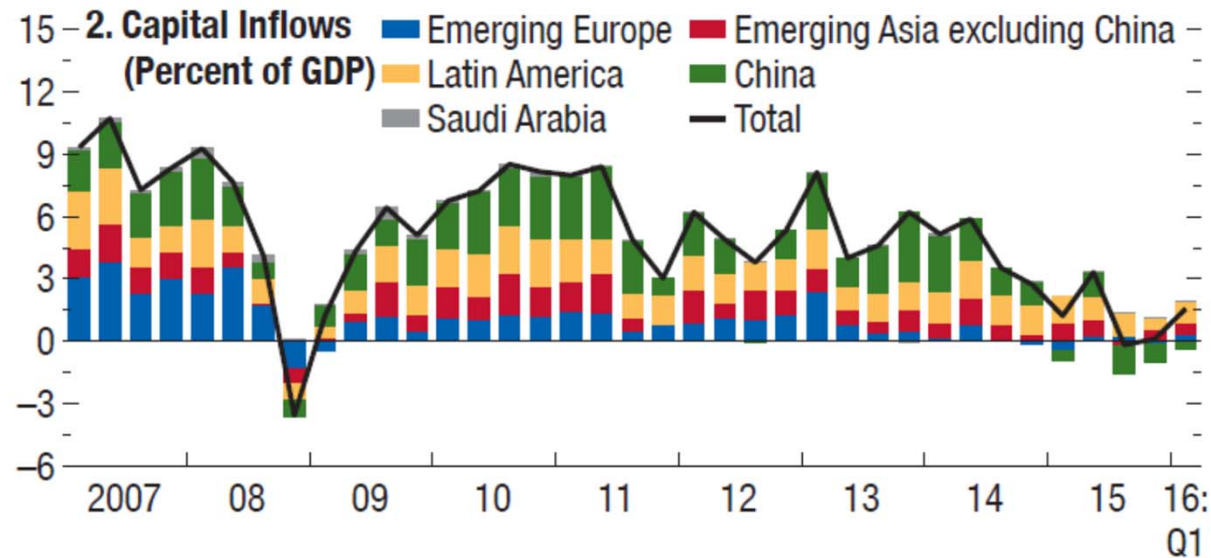
Emerging Markets under Stress



“Push Factors”



And Capital Flows Respond



Latest growth projections

Global economic activity is set to pick up in 2017-18

(Percent change)

	Estimate	Projections	
	2016	2017	2018
World Output	3.1	3.4	3.6
Advanced Economies	1.6	1.9	2.0
United States	1.6	2.3	2.5
Euro Area	1.7	1.6	1.6
Germany	1.7	1.5	1.5
France	1.3	1.3	1.6
Italy	0.9	0.7	0.8
Spain	3.2	2.3	2.1
Japan	0.9	0.8	0.5
United Kingdom	2.0	1.5	1.4
Canada	1.3	1.9	2.0
Other Advanced Economies	1.9	2.2	2.4
Emerging Market and Developing Economies	4.1	4.5	4.8
Commonwealth of Independent States	-0.1	1.5	1.8
Russia	-0.6	1.1	1.2
Excluding Russia	1.1	2.5	3.3
Emerging and Developing Asia	6.3	6.4	6.3
China	6.7	6.5	6.0
India	6.6	7.2	7.7
ASEAN-5	4.8	4.9	5.2
Emerging and Developing Europe	2.9	3.1	3.2
Latin America and the Caribbean	-0.7	1.2	2.1
Brazil	-3.5	0.2	1.5
Mexico	2.2	1.7	2.0
Middle East, North Africa, Afghanistan, and Pakistan	3.8	3.1	3.5
Saudi Arabia	1.4	0.4	2.3
Sub-Saharan Africa	1.6	2.8	3.7
Nigeria	-1.5	0.8	2.3
South Africa	0.3	0.8	1.6
Low-Income Developing Countries	3.7	4.7	5.4

Source: IMF, January 2017 *World Economic Outlook* update.