Economics 442   Menzie D. Chinn
Spring 2016   Social Sciences 7418
University of Wisconsin-Madison

Macroeconomic Policy

1. INTRODUCTION

This course will address current issues in modern macroeconomic policymaking, including: (1) the causes of secular stagnation; (2) the efficacy of fiscal policy, (3) the slowness of the investment recovery, (4) international macro policy challenges, (5) responding to currency crises, and (6) the euro area crisis.

Prerequisites: Econ 301 or 311, and Econ 302 or 312, and Econ 310.

2. OFFICE HOURS

Prof. Menzie Chinn: MW 4-5
7418 Social Sciences Bldg., 262-7397
e-mail: mchinn@lafollette.wisc.edu

Updated information will be posted on the course website,
http://www.ssc.wisc.edu/~mchinn/web442_s16.html.

3. SCHEDULE AND READINGS

The required textbook is Blanchard and Johnson, *Macroeconomics*, 6th Edition (Prentice-Hall) (abbreviated **BJM** below). A Required readings are listed below, and additional required and optional readings will be assigned during the semester from the Web. You will also be expected to refer to the following weblog for current macroeconomic commentary: http://www.econbrowser.com .

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LEC.    DATES       BJM     READING     TOPICS
1       1/20                            Introduction
2-5     1/25-2/3    3-5     CBO,ISLM,   IS-LM
                             PCO, KS
6-8     2/8-15      6-8     ADAS,WW1,2  AD-AS
9-12    2/17-2/29           SS,EM       Secular stagnation
11      2/24                            Midterm 1
13-15   3/2-9       9       Chinn       Fiscal policy debate
16-19   3/14-30     16-2    BBD, GK     Investment
20-24   4/4-18      18-20   Open        Open economy macro
21      4/6                             Midterm 2
25-26   4/20-25             Chinn16     EM financial crises
27-29   4/27-5/4    21      Sh          Euro crisis
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Readings

- CBO, *Budget and Economic Outlook*, January 2016.
- ISLM: Notes on IS-LM
- PCO: Notes on Portfolio Crowding Out.
- KS: John Kitchen and Menzie Chinn, Financing U.S. Debt: Is There Enough Money in the World – and At What Cost?" *International Finance* (2012). http://www.ssc.wisc.edu/~mchinn/kitchen_chinn_IF2012.pdf
- ADAS: Notes on Aggregate Demand/Aggregate Supply
- WW1: Weidner and Williams, "How Big is the Output Gap?" *FRBSF Economic Letter* 2009-19, June 12, 2009. http://www.frbsf.org/publications/economics/letter/2009/el2009-19.html
- WW2: Weidner and Williams, "An Update to "How Big Is the Output Gap" (Nov. 2015) http://www.frbsf.org/economic-research/files/el2009-19-update.pdf
- SS: *Secular Stagnation: Facts, Causes, Cures*. http://www.voxeu.org/content/secular-stagnation-facts-causes-and-cures
- EM: Eggertson, Mehrotra, 'A Model of Secular Stagnation." http://www.nber.org/confer/2014/SI2014/MEFM/Eggertsson.pdf
- Chinn, "Fiscal Multipliers" *Palgrave Encyclopedia of Economics* http://www.ssc.wisc.edu/~mchinn/Fiscal%20Multipliers.pdf
- BBD: Baker, Bloom and Davis, "Has Policy Uncertainty Hampered the Recovery" http://www.policyuncertainty.com/media/BakerBloomDavis_Hoover.pdf
- GK: Gruber-Kamin, "The Corporate Saving Glut in the Aftermath of the Global Financial Crisis" http://dornsife.usc.edu/assets/sites/744/docs/Gruber_Kamin_Corporate_Saving_Glut_20140415.pdf
- Open: Notes on Open Economy Macroeconomics
- Chinn15: Chinn-Irwin chapter 15.
- Sh: Jay Shambaugh, "The Euro's Three Crises," *Brookings Papers on Economic Activity* 2012:1. http://www.brookings.edu/~/media/Projects/BPEA/Spring%202012/2012a_Shambaugh.pdf

4. GRADING

Letter grading is determined as follows:
        20%   Problem sets
        50%   Midterm ($\times$2)
        30%   Term paper

Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. THE TERM PAPER

A 10 page term paper, double-spaced, will be due at the end of the semester (page length pertains to text; cover page, figures and tables and reference list do not count against limit). You will select a paper topic from a list of assigned subjects. Additional details regarding this assignment, along with suggested readings, will be provided later in the term.

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