Economics 302 (Sec. 002)
Intermediate Macroeconomic Theory and Policy
(Fall 2009)

Instructor: Prof. Menzie Chinn
Administrative Issues

• Course website:  
  http://www.ssc.wisc.edu/~mchinn/web302_f09.html

• OH: Th 2:30-4:30, 7418 Soc Sci

• Textbook: Hall & Papell, *Macroeconomics*

• Additional Readings: from WWW, Econbrowser, CBO, *Economic Report of President*

• *NYT, FT, WSJ, Economist*
Administrative Issues

• Grading: 20% PS, 50% 2×MTs, 30% Final

• Dates:
  - MT1 on Thu. 10/8
  - MT2 on Thu. 11/5
  - Final on Tue. 12/22

• Make-ups: None. Points are re-allocated if you have a legitimate excuse. No late assignments accepted (must be handed in during lecture)
Context: GDP Growth

Modest recovery to begin in Q3

Real Gross Domestic Product (GDP)
Percent change at seasonally adjusted annual rate
Employment

Job losses continue to mount...

Nonfarm Payroll Employment
Millions of employees; seasonally adjusted

Monthly Changes
Mar. -662 K
Apr. -618 K
May -322 K
Jun. -467 K
From peak -8.6 M
Unemployment Rate

...pushing up unemployment.

Alternative measures of labor utilization

Official unemployment rate

Official unemployment rate + PT for econ reasons

% labor force

67 71 75 79 83 87 91 95 99 03 07 11
Inflation

Near-term: expect inflation to fall

Core PCE Price Inflation
Percentage change from four quarters earlier

Preferred rate
FRBSF forecast

1995  2000  2005  2010
Monetary Policy

10 year constant maturity Treasurys

Fed Funds

3 month T-bills (secondary market)
Monetary Policy/Credit Easing
Consumption

Log Real Consumption (Ch. 2005$)
Housing Market

1 unit housing starts
Current Account, Net Debt

Current Account to GDP [left scale]

Net Int'l Investment Position to GDP [right scale]
Net Exports and the Dollar

Log Real Dollar (broad) [left scale]

NX/GDP

ex-oil imports [right scale]

NX/GDP [right scale]
FIGURE 1.1 Real GDP in the United States, 1968–2002
FIGURE 1.2 Fluctuations of Real GDP Around Its Smooth Trend
FIGURE 1.3 Real GDP, 1910–2002
FIGURE 1.4 Employment as a Percentage of the Working-Age Population
FIGURE 1.5 The Unemployment Rate
FIGURE 1.6 The Rate of Inflation
FIGURE 1.7 The Federal Funds Interest Rate
FIGURE 1.8 The Real Interest Rate
FIGURE 1.9 The Money Supply