

Economics 442
Macroeconomic Policy

Lecture 1

1/24/2018

Instructor: Prof. Menzie Chinn

UW Madison

Spring 2018

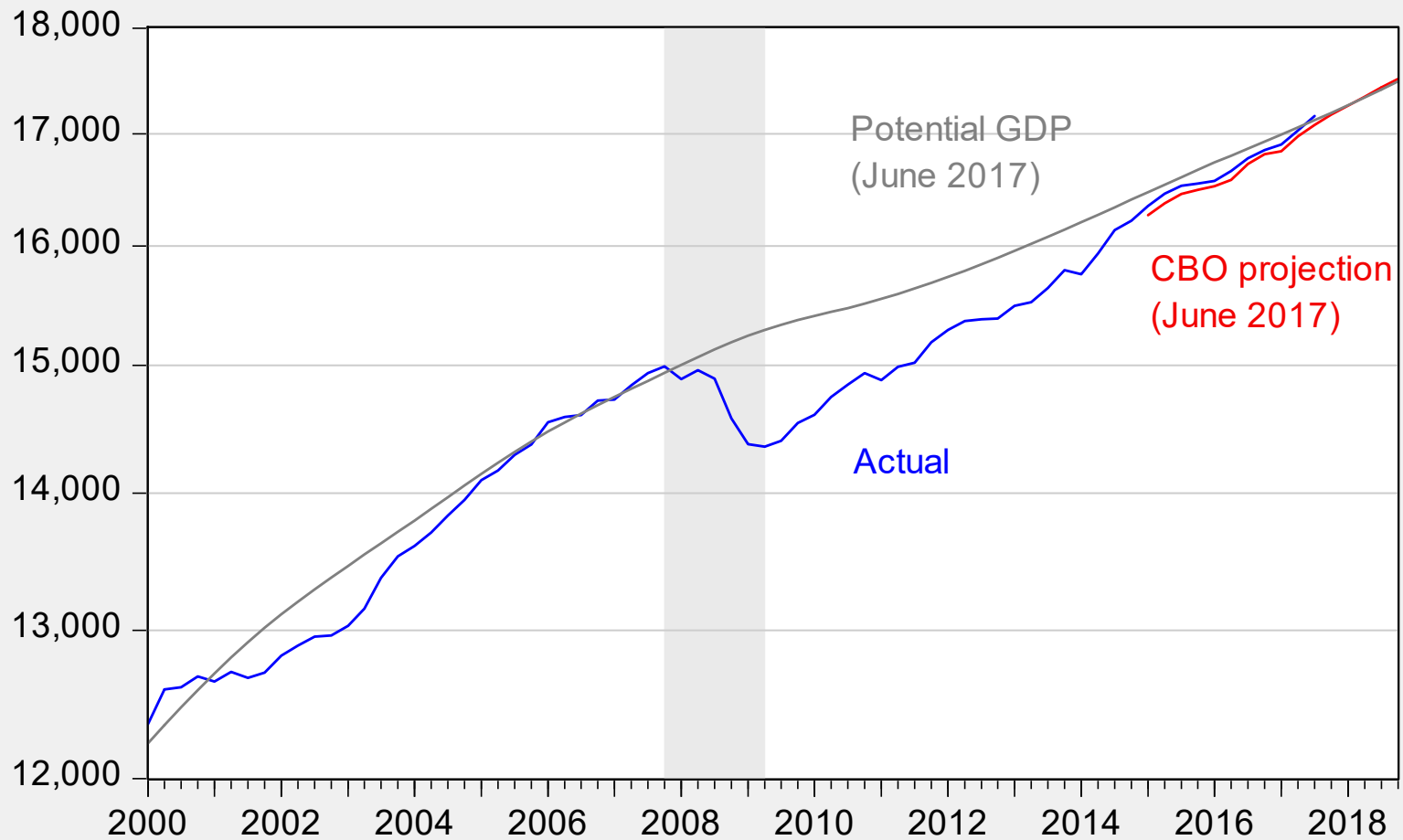
Administrative Issues

- Course website:
http://www.ssc.wisc.edu/~mchinn/web442_s18.html
- OH: M 12:45-2:15, W 1:45-2:15, 7418 Soc Sci
- Textbook: Blanchard, *Macroeconomics*
- Additional Readings: from IMF, CBO, web, Econbrowser
- *NYT, FT, WSJ, Economist*

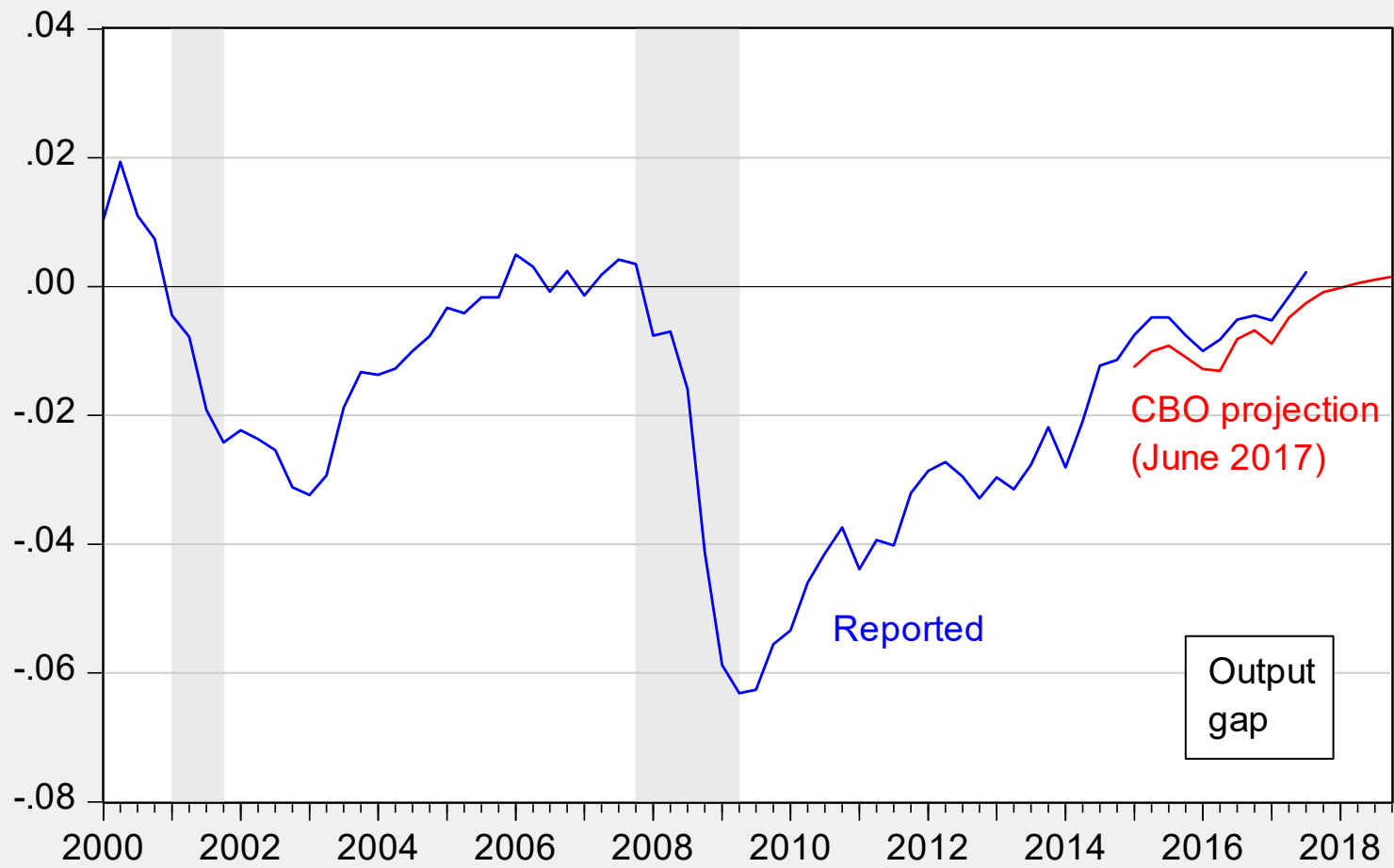
Administrative Issues

- Grading: 20% PS, 50% 2×MT, 30% paper
- Dates:
 - MT on 2/28, 4/4
 - **Paper due on Fri, 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)

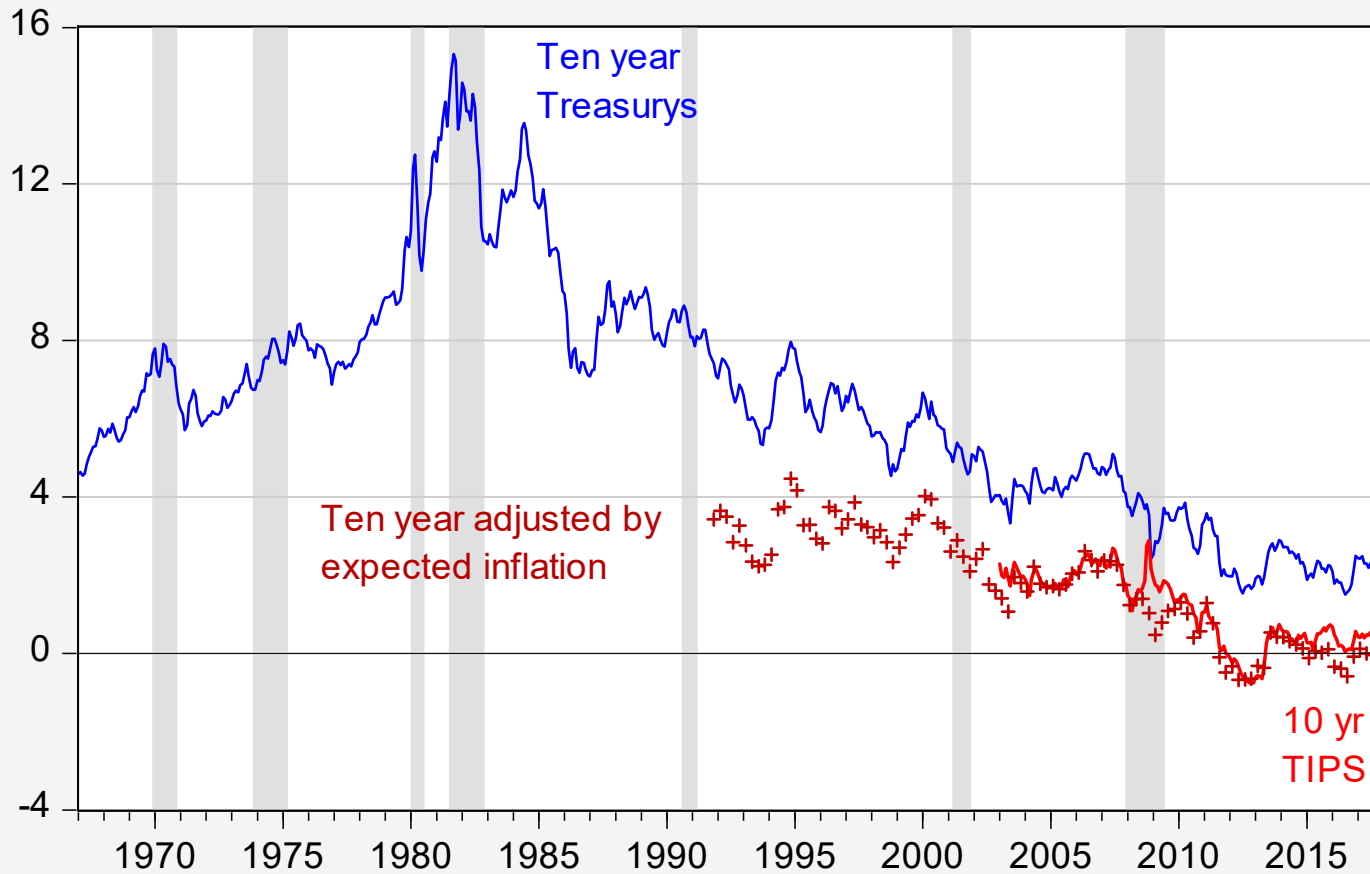
Slow Growth



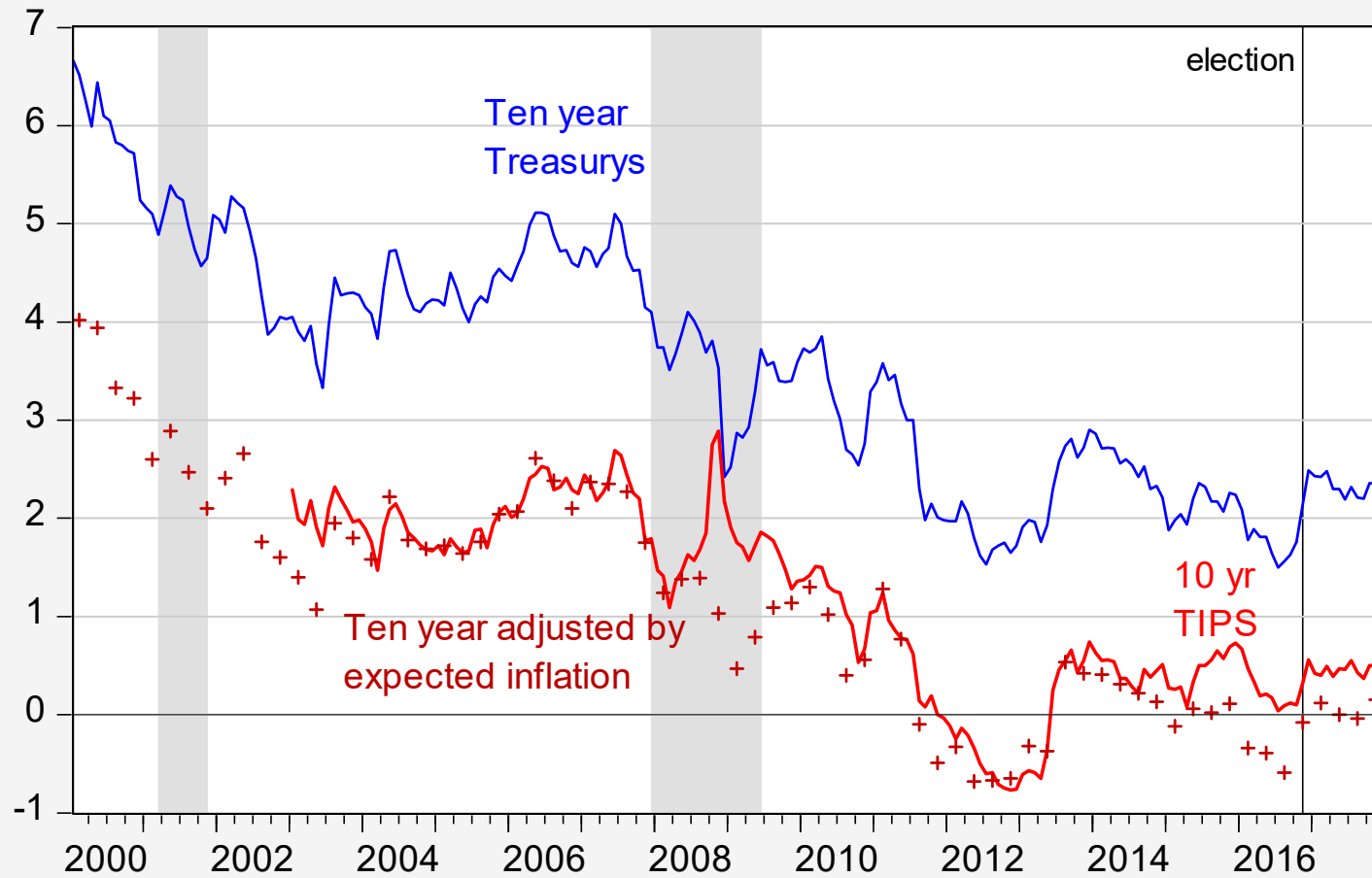
Source: BEA, 2017Q3 3rd rel., CBO, *Budget and Economic Outlook* (June 2017), NBER.



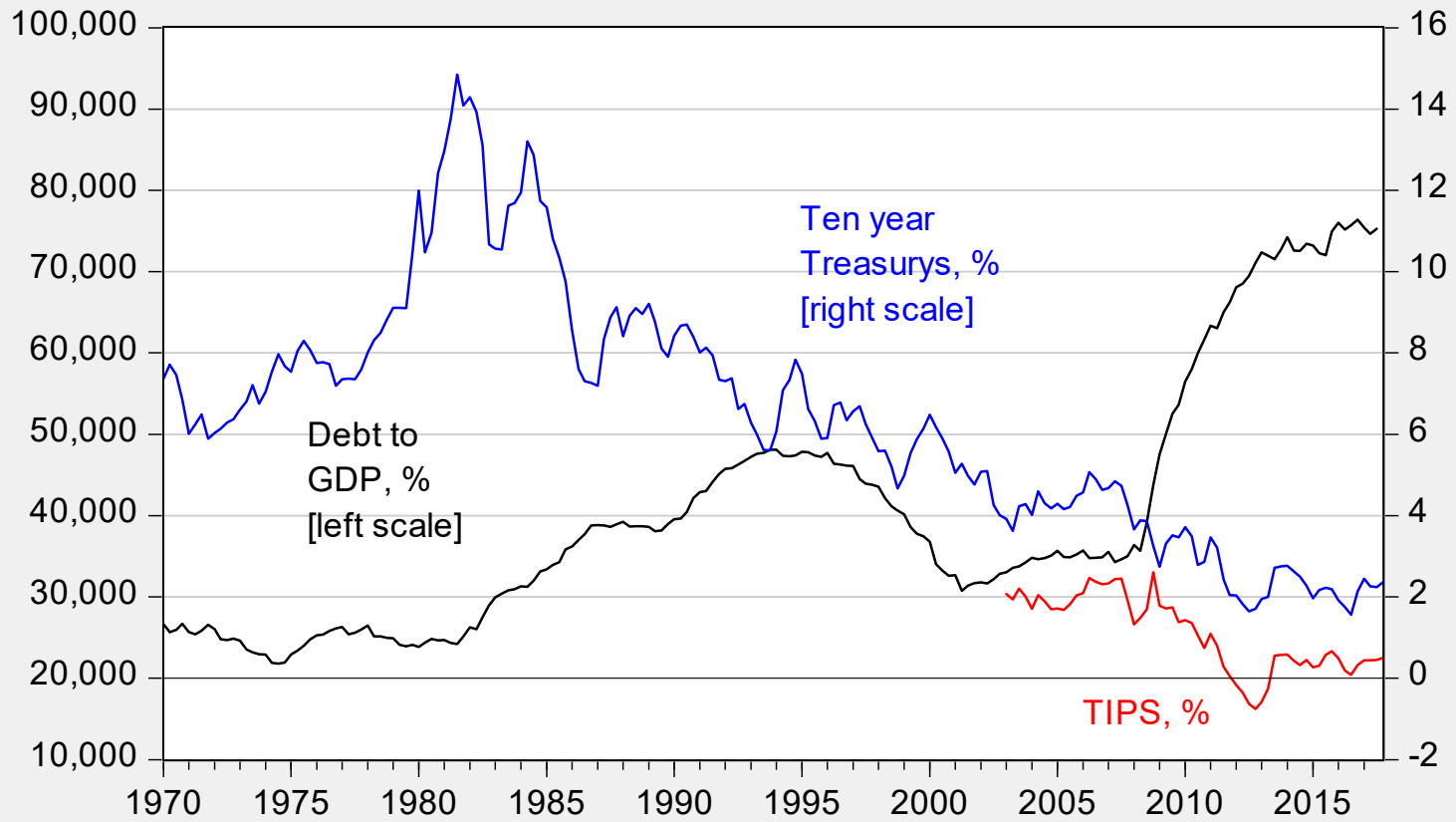
Secular Stagnation: Excess Saving?



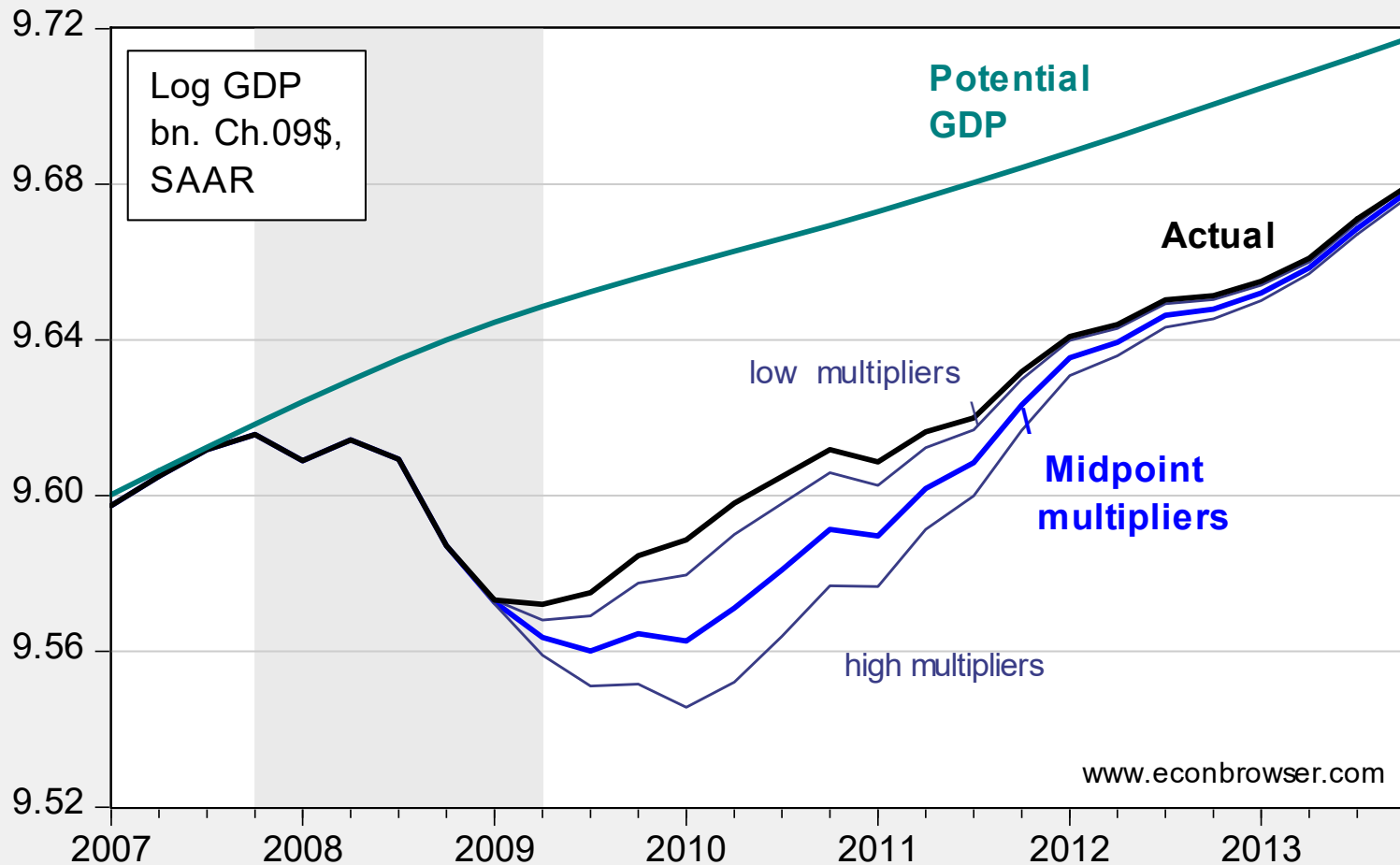
Secular Stagnation's End?



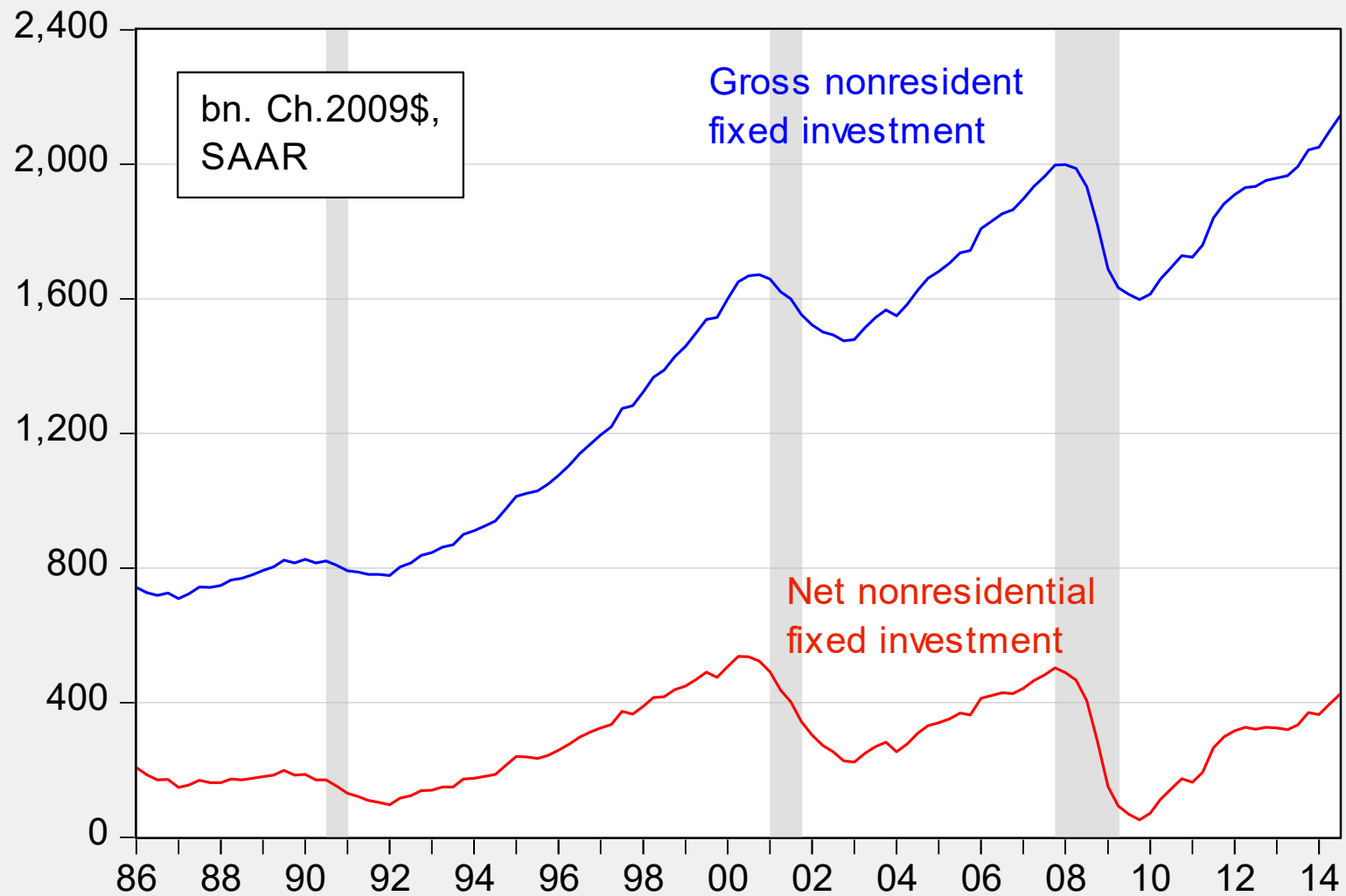
A Puzzle



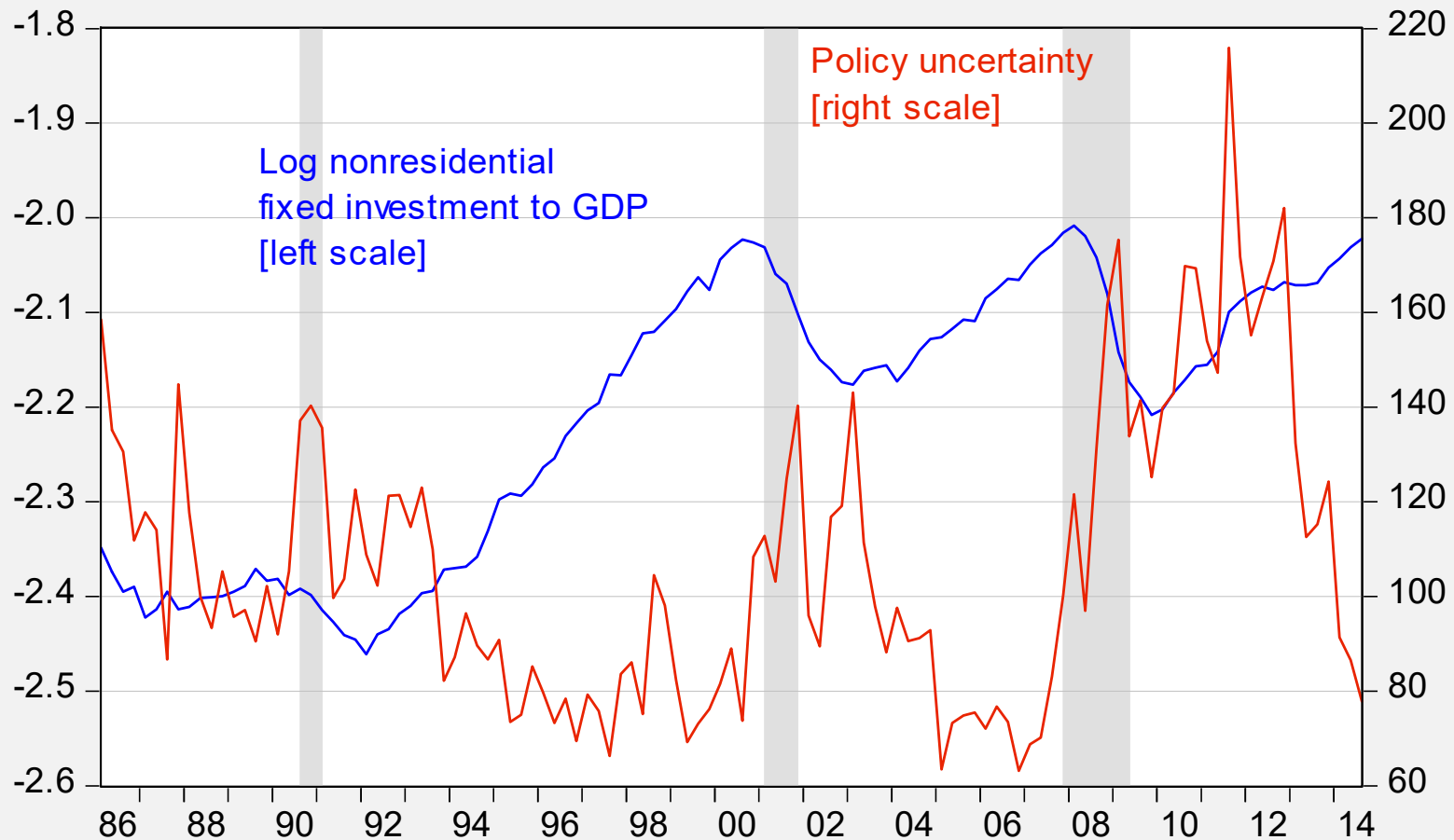
The Fiscal Policy Debate



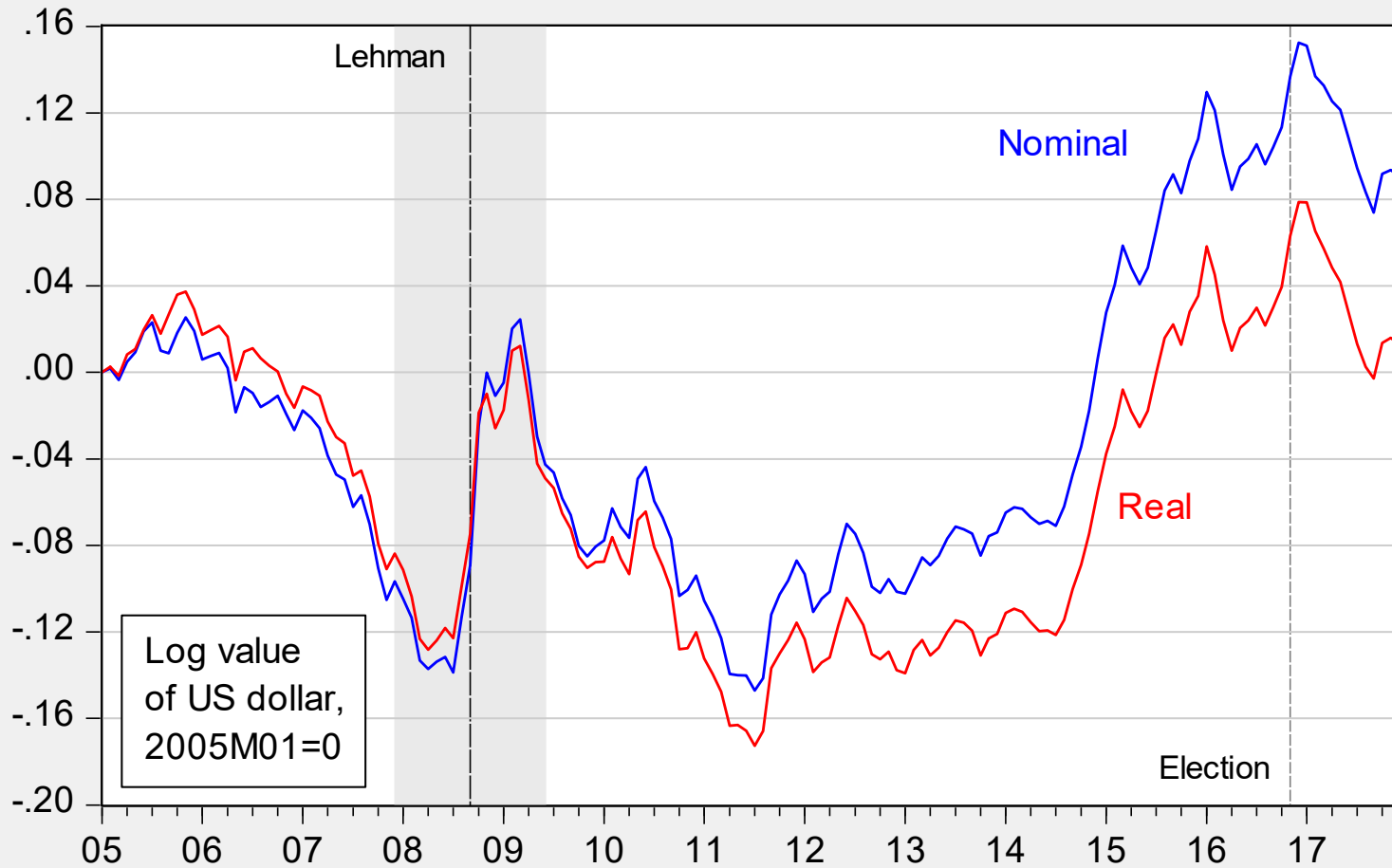
The Investment Puzzle



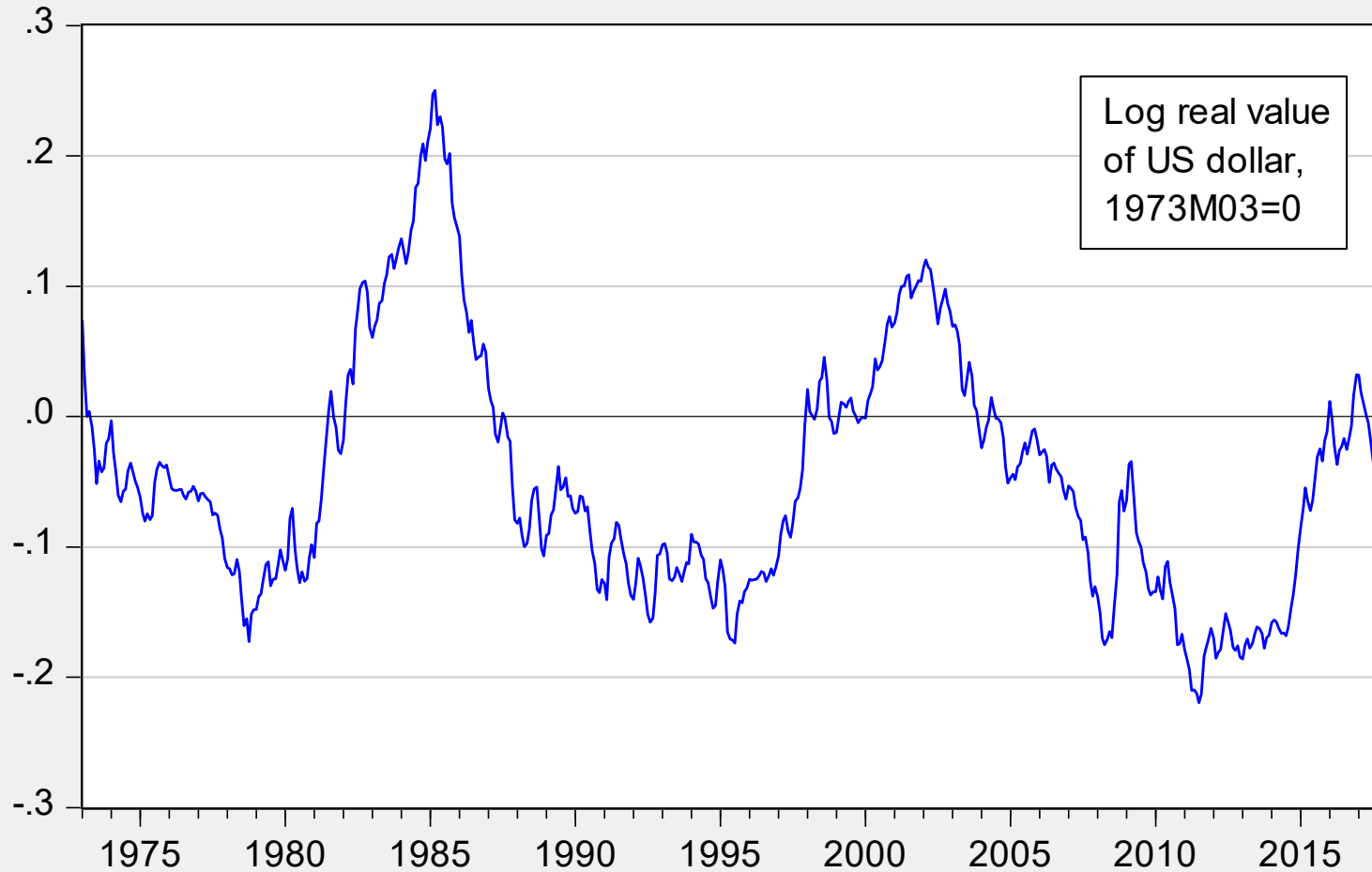
Investment and Uncertainty



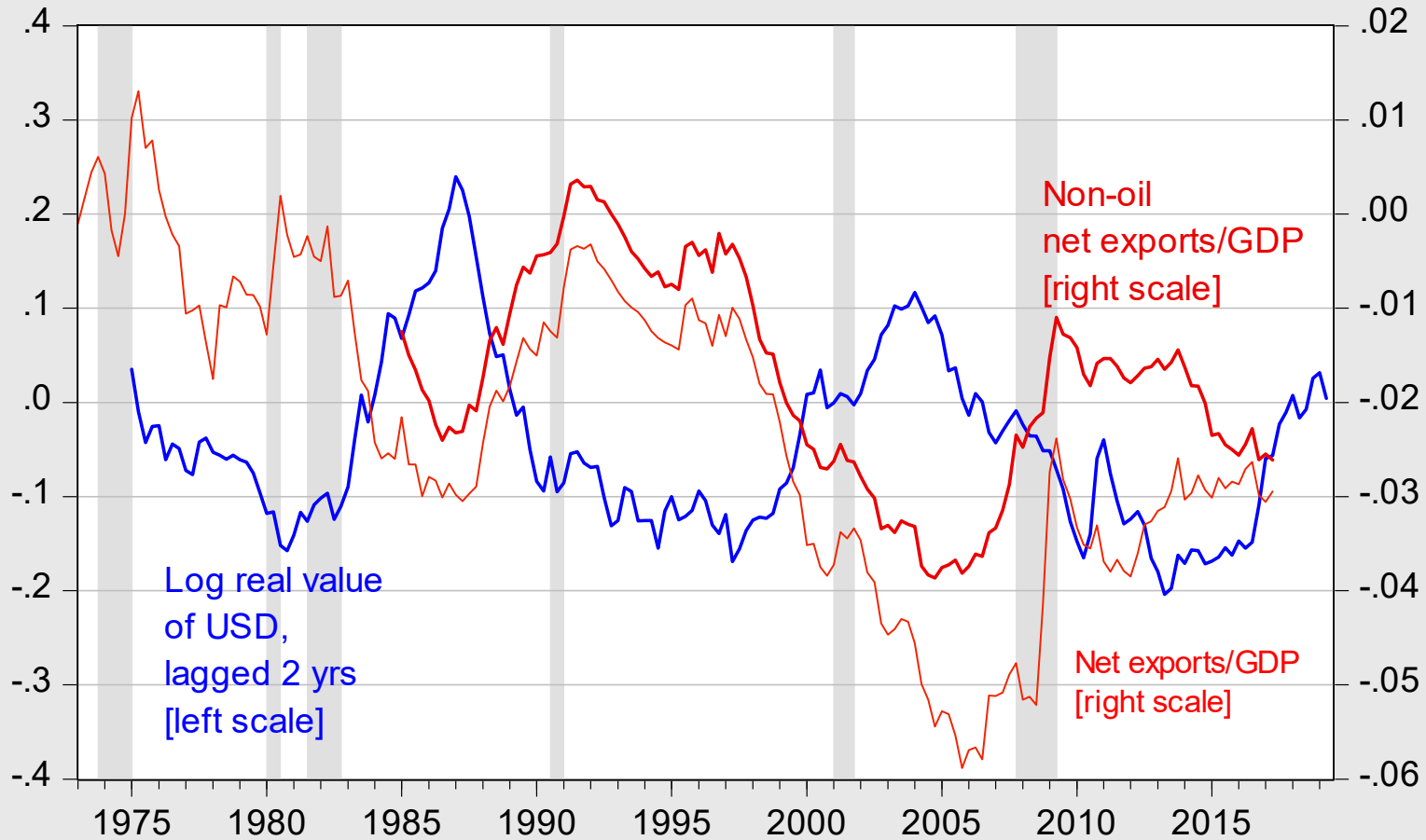
Rise of the Dollar



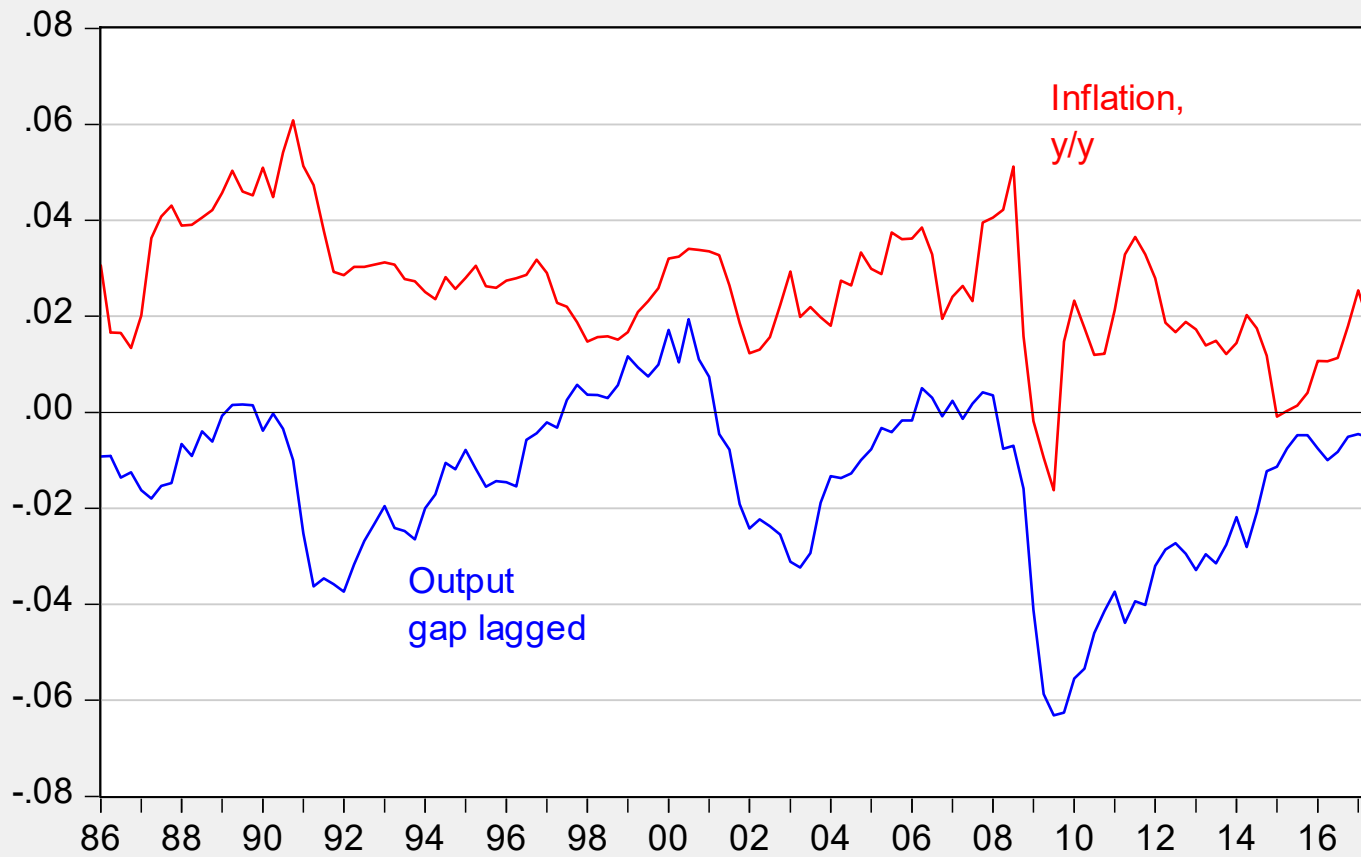
The Dollar's Rise in Perspective



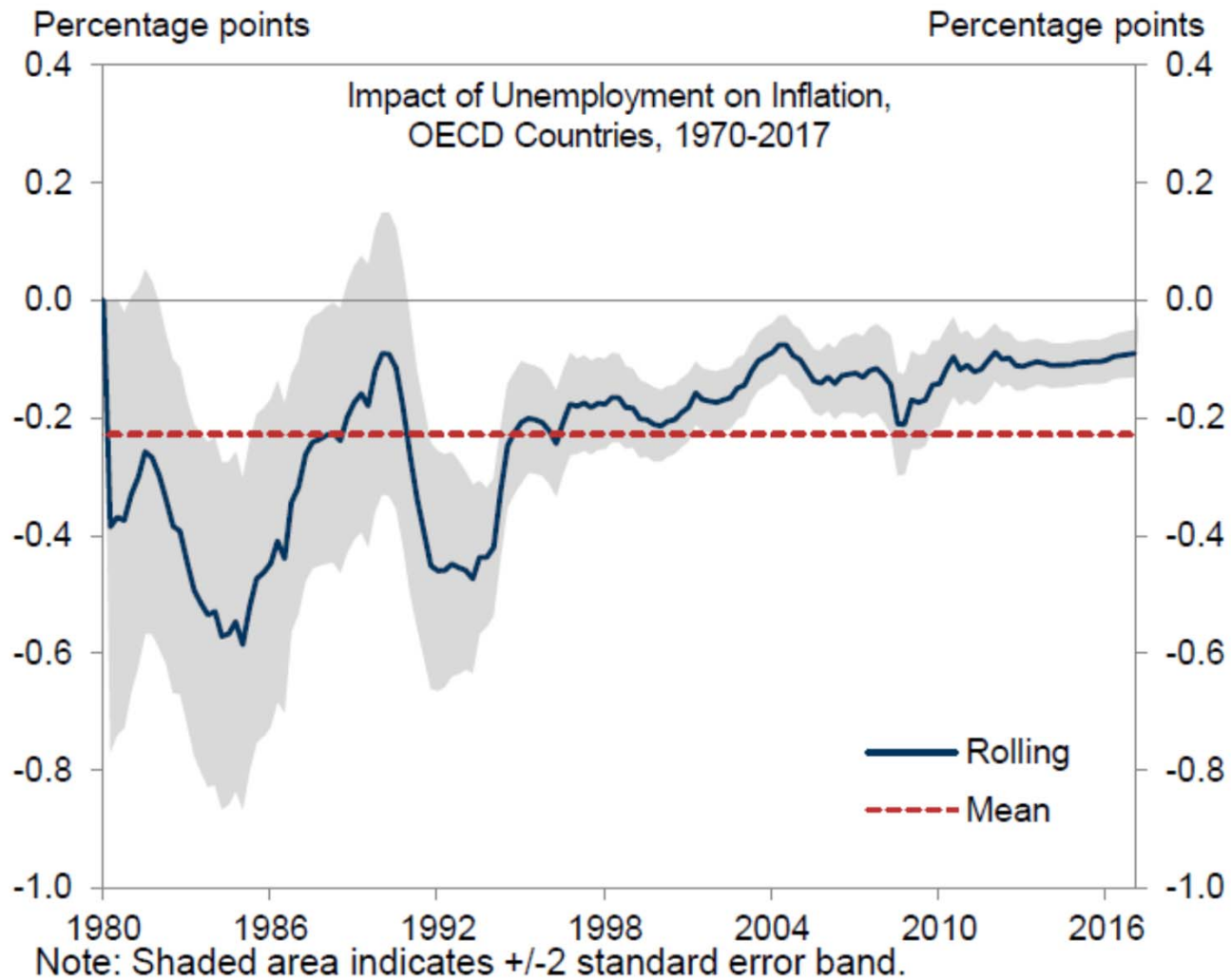
The Dollar and Net Exports



Low Inflation



Phillips Curve



Source: Goldman Sachs Global Investment Research, Department of Labor, Federal Reserve Board

Table 1. Overview of the World Economic Outlook Projections
(Percent change unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
	2016	Estimate	Projections		Difference from October 2017 WEO Projections 1/		2017	Projections	
		2017	2018	2019	2018	2019		2018	2019
World Output	3.2	3.7	3.9	3.9	0.2	0.2	3.9	3.9	3.8
Advanced Economies	1.7	2.3	2.3	2.2	0.3	0.4	2.4	2.3	2.0
United States	1.5	2.3	2.7	2.5	0.4	0.6	2.5	2.7	2.4
Euro Area	1.8	2.4	2.2	2.0	0.3	0.3	2.4	2.1	2.0
Germany	1.9	2.5	2.3	2.0	0.5	0.5	2.8	2.1	2.1
France	1.2	1.8	1.9	1.9	0.1	0.0	2.2	1.8	1.9
Italy	0.9	1.6	1.4	1.1	0.3	0.2	1.5	1.4	0.9
Spain	3.3	3.1	2.4	2.1	-0.1	0.1	3.0	2.2	2.0
Japan	0.9	1.8	1.2	0.9	0.5	0.1	2.0	0.9	-0.3
United Kingdom	1.9	1.7	1.5	1.5	0.0	-0.1	1.3	1.5	1.5
Canada	1.4	3.0	2.3	2.0	0.2	0.3	3.0	2.2	1.9
Other Advanced Economies 3/	2.3	2.7	2.6	2.6	0.1	0.1	2.7	2.5	2.9
Emerging Market and Developing Economies	4.4	4.7	4.9	5.0	0.0	0.0	5.2	5.3	5.3
Commonwealth of Independent States	0.4	2.2	2.2	2.1	0.1	0.0	2.2	2.1	1.7
Russia	-0.2	1.8	1.7	1.5	0.1	0.0	2.3	1.9	1.6
Excluding Russia	1.9	3.1	3.4	3.5	0.1	0.0	...	...	...
Emerging and Developing Asia	6.4	6.5	6.5	6.6	0.0	0.1	6.8	6.5	6.5
China	6.7	6.8	6.6	6.4	0.1	0.1	6.7	6.5	6.4
India 4/	7.1	6.7	7.4	7.8	0.0	0.0	7.9	7.4	7.8
ASEAN-5 5/	4.9	5.3	5.3	5.3	0.1	0.0	5.4	5.4	5.3
Emerging and Developing Europe	3.2	5.2	4.0	3.8	0.5	0.5	4.0	4.8	3.7
Latin America and the Caribbean	-0.7	1.3	1.9	2.6	0.0	0.2	2.2	2.3	2.6
World Trade Volume (goods and services) 6/	2.5	4.7	4.6	4.4	0.6	0.5	...	...	...
Advanced Economies	2.6	4.1	4.3	4.2	0.6	0.7	...	...	...
Emerging Market and Developing Economies	2.3	5.9	5.1	4.8	0.4	0.2	...	...	...
Commodity Prices (U.S. dollars)									
Oil 7/	-15.7	23.1	11.7	-4.3	11.9	-5.0	19.0	-0.9	-3.9
Nonfuel (average based on world commodity export weights)	-1.6	6.5	-0.5	1.0	-1.0	1.5	1.2	1.2	1.0