Economics 504	Office: KJ 217
Topics in Macroeconomics	Phone: x4472
Spring 2020	Office Hours: M 7-8pm, T 11-12, W 10-12 & by apt.
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This course is a senior project course in topics in contemporary macroeconomics. The prerequisites for the course are Econ 265, 275, and 285.

The course introduces theoretical and methodological tools that will be useful for reading and conducting research in macroeconomics and surveys some of the recent literature relating to macroeconomic issues of current interest. The last part of the course will be devoted to final student presentations of their research.

1. Readings

I will assign readings weekly and post them on Blackboard. A preliminary list of readings is provided below. We will not cover all of those readings, and the list will evolve over the course of the semester.

2. Grades

Grades will be assigned as follows:

- Class participation and presentations, worth 30%

- Midterm, handed out Wednesday, April 1, due Sunday, April 12 by midnight on Blackboard, worth 30% of your grade

- Senior project: paper and final presentation, worth 40% of your grade. The paper will be developed in stages, as described on a separate sheet below, with due dates Sundays, February 23, April 5, and May 3, each by midnight and on Blackboard. Students will also discuss preliminary results during the semester, and final presentations will take place May 6, 8 and 11 (in class).

I plan to cover some material in lectures. However, the course is designed as a seminar, and I will assign material for students to present and discuss in class on a regular basis.

3. Other Important Information

I strongly encourage you to meet with me regularly to discuss the readings, lectures, and your projects. In addition to my scheduled office hours, I am very happy to meet with you by appointment.

Our empirical research specialist, Luis Mijares, in KJ205 is also available to help you search for data and answer technical questions about Stata. We will use Stata occasionally in the class and you will likely use Stata in your project, but you are welcome to use other programs for data analysis (e.g., Excel, R) as well, depending on your needs and interests.

All work for this course is covered by the terms of the honor code.

Your ability to turn in the exam and papers by the times posted above and be available for presentations on the dates posted above are requirements for enrollment in this course. Late work will not be accepted.

Speakers: You are required to attend the Common Ground talk/discussion on inequality by Greg Mankiw and Christie Romer on Thursday, March 12 at 7:00pm in Wellin Hall. Please note that this is the Thursday before March break and plan accordingly. I expect to schedule at least one additional speaker for the course during the semester. Also, the department invites outside scholars to give occasional talks on Friday afternoons which you are very welcome to attend.

Blog: There will be a course blog on Blackboard on which you can post questions, observations and links to news and other resources that you find interesting and relevant to the course. Participation on the blog is not required but will be counted as class participation.

4. Preliminary Reading List
 1. Introduction

    Slides on recent macroeconomic trends ("Intro Slides" on Blackboard)

    FRB, FOMC Press Release, December 11, 2019

    FRB, Powell Testimony, The Economic Outlook, November 13, 2019

    Gordon, The Death of Innovation, The End of Growth (Ted Talk)

    Brynjolfsson, The Second Wave of the Second Machine Age (video)

    Simple investment and growth data exercise

 2. Growth and Growth Accounting

    Growth Rates (handout)

    Fernald and Wang, The Recent Rise and Fall of Rapid Productivity Growth

    Fernald and Li, Is Slow Still the New Normal For GDP Growth?

    Klenow and Li Missing Growth from Creative Destruction

    Wei, Xie and Zhang, From "Made in China" to "Innovated in China"

    Simple fiscal policy data exercise

 3. Long Term Trends: Automation, Trade and Inequality

    Autor Why are There So Many Jobs? (TedX talk)

    Muro, Whiton and Maxim, What Jobs are Affected by AI?

    Autor, Work of the Past, Work of the Future

    WSJ We Are Not the World

    Autor, Dorn and Hanson, The China Shock

    Amiti, Redding, and Weinstein, The Impact of the 2018 Tariffs on Prices and Welfare

    Piketty, Saez, Zuckman, Distributional National Accounts slides

    Alvaredo et al., Elephant Curve of Global Inequality

    Daly et al., Black White Wage Gap

    Brookings, Americans Aren't Moving to Economic Opportunity

    LeGarde and Ostry The Macroeconomic Benefits of Gender Diversity

 4. Review of Keyenesian and New-Keynesian Business Cycle Theory (no reading)

 5. Real Business Cycle Theory

    Basu, Fernald, and Kimball, Are Technology Improvements Contractionary?

    Nakamura and Steinsson, Price Rigidity: Micro Evidence and Macro Implications

 6. Some Empirical Issues for Understanding Business Cycles and Policy Effectiveness

    Stock and Watson, Business Cycle Fluctuations in U.S. Macroeconomic Time Series

    Brault and Kahn, The Shifts in Lead-Lag Properties of the Business Cycle

    VARs (handouts)

 7. New Keynesian DSGE Models

    Smets and Wouters, Shocks and Frictions in U.S. Business cycles: A Bayeisian DSGE Approach

    Caballero, Macroeconomics after the Crisis

8. The Financial Crisis of 2007-2009

        Brunnermeier, Deciphering the Liquidity and Credit Crunch 2007–2008

9. The Great Recession of 2007-2009

        Mian and Sufi, The Great Recession: Lessons from Micro Data

        Mian and Sufi. Consumers and the Economy Part II: Household Debt and the Weak Recovery

        Reinhart and Rogoff, Recovery from Financial Crises: Evidence from 100 Episodes

        Barnichon et al., The Financial Crisis at 10: Will We Ever Recover?

        House et al., Austerity in the Aftermath of the Great Recession

        Weidner and Williams, What is the New Normal Unemployment Rate

10. Trouble Ahead? Brexit, Trade Wars, Uncertainty, and the Next Recession

        Benzoni Why Does the Yield-Curve Slope Predict Recessions?

        NYT, Trump's Tariffs Haven't Really Transformed Trade. Yet.

11. Monetary Policy and Macro-prudential Regulation

        Elias, Irvin, and Jorda, Monetary Policy When the Spyglass is Smudged

        Williams Unconventional Monetary Policy

        Orphanides, Monetary-Policy Rules and the Great Inflation

        Kaplan and Violente, Monetary Policy According to HANK

        Koenig, Has US Monetary Policy Gone Off Track?

12. Fiscal Policy: Multipliers, Infrastructure, Sovereign Debt Crises

        CBO, Estimated Impacts of the ARRA on Employment and Economic Output in 2014

        Auerbach and Gorodnichenko, Measuring the Output Responses to Fiscal Policy

        Ramey and Zubairy, Government Spending Multipliers in Good Times and Bad

        Nakamura and Steinsson, Fiscal Stimulus in a Monetary Union: Evidence from US Regions

        Huldrom, Under the Cloud of Cycles

14. Oil Prices, Inflation, and Global Imbalances

        WSJ, Fed Officials Reveal More Doubts about Inflation Dynamics, but See Few Solutions

        Forbes, Inflation Dynamics: Dead, Dormant, or Determined Abroad?

15. Uncertainty, Expectations, and Economic Complexity

        Rational Expectations: Fundamentals and Bubbles (handout)

        Carroll, Recent Stock Declines: Panic or the Purge of "Irrational Exuberance"?

        Williams, Bubbles Tomorrow, Yesterday, but Never Today?

        Georges and Pereira, Market Stability with Machine Learning Agents

You will each give at least one brief news presentation at the beginning of a class, independently or with another student. The topic should be a recent news item related to macroeconomics or some other information relevant to the course. If you present with another student, you should divide up the presentation so that each of you speaks for a few minutes on the topic (please keep the total presentation time to no more than **5 minutes**). After the presentation, you will have a few minutes to field questions from the rest of the class or raise your own questions.

You must **email** the rest of the class (using the email list in Blackboard – send to "all users" so that I receive it as well) with a condensed description of your topic and a few sources (e.g., URLs) no later than 7:00 PM the evening before your presentation. In your email you can also raise a few questions for the class to think about prior to the presentation. All students in the class are expected to have read the materials that you have sent by class time.

You should use **several types of sources** for your information. For example, if you find an interesting topic in a news article from the New York Times, look for some data and/or a statement from a relevant government agency or think tank that will answer questions that you had about the coverage in the Times or supplement that coverage. You might also look for and present charts of supporting data or find a journal article or working paper that provides additional supporting information.

Links to a variety of government organizations, think tanks, blogs, etc., are provided on my web page for this course. You might check out, for example, the weekly Economic Letter from the FRB of San Francisco, or articles listed on the VOX EU web site or in the NBER working paper series. If you want to look at charts of recent data, try FRED at the St. Louis Fed, or go to the agency that publishes the data that you are interested in (e.g., the Bureau of Labor Statistics for unemployment or the CPI), the IMF, etc.

The paper assignment for this course is divided into three parts:

Part 1: due on or before Sunday, February 24, at midnight, on Blackboard. 5% of course grade.

> Proposal. Suggested length, 3 pages plus preliminary bibliography. You should define a research question. You should then state your (preliminary) plan for the paper and briefly summarize several (e.g., 5) journal articles on or related to that question, highlighting the methodologies used by the authors and their conclusions.

Part 2: due on or before Sunday, April 7, at midnight, on Blackboard. 7.5% of course grade.

> This paper is a preliminary draft of parts (introduction, literature review, empirical investigation) of your final paper. In it you should define your research question (as above), and explain why the question is important. You should then discuss whether or not a consensus exists about the answer to your question, and why this is so. What are the major theoretical and empirical positions offered in the economics literature? Discuss in detail how they are supported or refuted?. Discuss your plans for original empirical work on the question including methods and data availability. Provide any preliminary results that you have. The suggested length is 10 pages plus preliminary bibliography and supporting charts and tables.

Part 3: due on or before Sunday, May 5, at midnight, on Blackboard. 20% of course grade.

> This is the final version of your senior project paper. The paper should build on the arguments developed in Part 2. Define your question and explain why it is important. Provide an overview of the literature in which you identify sources (methodology, assumptions, data, etc.) of agreement and disagreement within the literature. Provide a detailed review of the central literature that you have read on your research question. Provide some comparative evaluations of various positions and methods that you present. Discuss your original empirical work on your research question including methods, data sources, and results. Suggested paper length is 15 pages, plus bibliography and supporting charts and tables.

Your presentation of your project (7.5% of your grade) will take place in class on May 6, 8, or 11. You should expect to present (with slides) for 10 minutes and field questions for 5 minutes. Given the short presentation time, and the desire to connect with your audience, you should keep your slides succinct and accessible. You should motivate your research topic intuitively for the audience and highlight aspects of your literature review, methods, and results that you found particularly interesting. You should meet with me within the first two weeks of classes to start developing your topic and clarifying our expectations for the project. Note also that you will be asked to discuss your work in progress in class periodically during the semester and make a formal presentation to the class at the end of the semester.

Here are some search engines for finding scholarly articles in macroeconomics:

> Published articles: EconLit (search engine available via library), Google Scholar.

> Unpublished working papers: SSRN (Social Science Research Network: www.ssrn.com). This is a good source for recent papers that are not yet published in journals.

> Other sources: The NBER (National Bureau of Economic Research) maintains a working paper series that is of particular interest for macroeconomics. Various agencies such as the IMF, Federal Reserve Board, European Central Bank, etc., and various think tanks also produce important macroeconomic research.

Starting to Think About Paper Topics: Browsing current events and exploring what particularly interests you in macro are tow good ways to start thinking about your paper topic. Browsing through the list of readings above may help as well. *You should aim to find a topic that interests you and that you will enjoy researching.* Please make an appointment to talk to me soon about your topic. I can help you narrow down a topic and get you started with some readings or suggest how to conduct a search.