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. This 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 3, due Sunday, April 14 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 24, April 7, and May 5, each by midnight and on Blackboard. Students will also discuss preliminary results during the semester, and final presentations will take place May 6 and 8 (in class) and May 19 from 2:00 - 5:00 pm.

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.

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: I expect to schedule at least one 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.
4. Preliminary Reading List

1. Introduction

   FRB, FOMC Press Release, December 19, 2018
   FRB, Powell Testimony, July 17, 2018
   WSJ, Worker Productivity Gains Coming Up Short in Stronger Economy (November 2018)
   Brynjolfsson The Key to Growth: Race with the Machines (Ted Talk)
   NYT Unemployment Looks Like 2000 Again. But Wage Growth Doesn’t

2. Growth and Growth Accounting

   Growth Rates (handout)

   Wei, Xie and Zhang, From “Made in China” to “Innovated in China”
   Fernald and Wang, The Recent Rise and Fall of Rapid Productivity Growth
   Fernald, Hall, Stock and Watson The Disappointing Recovery in U.S. Output after 2009
   Gordon, The Death of Innovation, The End of Growth (Ted Talk)
   Fernald and Jones, The Future of U.S. Economic Growth
   Syverson Challenges to Mismeasurement Explanations for the U.S. Productivity Slowdown
   Klenow and Li Missing Growth from Creative Destruction

3. Long Term Trends: Innovation, Automation, Trade and Inequality

   Roubini, Rise of the Machines: Downfall of the U.S. Economy?
   Marin, Globalization and the Rise of the Robots
   Bessen, How Computer Automation Affects Occupations
   Acemoglu and Restrepo, The Race Between Machines and Humans: Implications for Growth, Factor Shares and Jobs
   Autor Why are There So Many Jobs? (TedX talk)
   Autor Why Are There Still So Many Jobs? The History and Future of Workplace Automation
   Fort, Pierce and Schott New Perspectives on the Decline of US Manufacturing Employment
   WSJ We Are Not the World
   Autor, Dorn and Hanson, The China Shock
   Alvaredo, Atkinson, Piketty, Saez, The Top 1 Percent in International and Historical Perspective
   NYT, We’re Measuring the Economy All Wrong
   Spence How Inequality Undermines Economic Performance
   LeGarde and Ostry The Macroeconomic Benefits of Gender Diversity
   Ravallion, Inequality and Globalization: A Review Essay

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

5. Real Business Cycle Theory

   Plosser, Understanding Real Business Cycles
   Basu, Fernald, and Kimball, Are Technology Improvements Contractionary?
   Arellano et al., Financial Frictions and Fluctuations in Volatility

Stock and Watson, Business Cycle Fluctuations in U.S. Macroeconomic Time Series
Blanchard, Consumption and the Recession of 1990–91
VARs (handouts)

7. New Keynesian DSGE Models

Smets and Wouters, Shocks and Frictions in U.S. Business cycles: A Bayeisian DSGE Approach
Christiano, Eichenbaum, and Trabandt, Understanding the Great Recession
Gali The State of New Keynesian Economics: A Partial Assessment
Caballero, Macroeconomics after the Crisis

8. The Financial Crisis of 2007-2009

BIS, The Global Financial Crisis
Brunnermeier, Deciphering the Liquidity and Credit Crunch 2007–2008
Gorton and Metrik, The Run on Repo and the Fed’s Response
Adrian and Shin, Money, Liquidity, and Monetary Policy
Warsh: How the Press Covered the Panic of 2008: It Didn’t


Woodford, Financial Intermediation and Macroeconomic Analysis
Mian and Sufi, The Great Recession: Lessons from Micro Data
Gertler and Gilchrist What Happened, Financial Factors in the Great Recession
Reinhart and Rogoff, Recovery from Financial Crises: Evidence from 100 Episodes
Daly, Fernald, Jorda, and Nechlo, Interpreting Deviations from Okun’s Law
Weidner and Williams, What is the New Normal Unemployment Rate

10. Lessons from the Great Depression?

Bernanke, Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression
Romer, What Ended the Great Depression?
Romer, Lessons From the Great Depression For Economic Recovery in 2009

11. Lessons from Japan?

Hoshi and Kashyap, Japan’s Financial Crisis and Economic Stagnation

12. 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.

13. Monetary Policy and Macro-prudential Regulation

Elias, Irvin, and Jorda, Monetary Policy When the Spyglass is Smudged
Williams The Future Fortunes of \( R^* \): Are They Really Rising?
Williams Unconventional Monetary Policy
Krishnamurthy and Vissing-Jorgensen, The Effects of Quantitative Easing on Interest Rates
Bernanke, A Century of US Central Banking

WSJ Fed’s Bullard Says Modernized Taylor Rule Supports No Rate Changes
Kaplan and Violente, Monetary Policy According to HANK

14. Fiscal Policy: Multipliers, Infrastructure, Sovereign Debt Crises
   - CBO, Estimated Impacts of the ARRA on Employment and Economic Output
   - Auerbach and Gorodnichenko, Measuring the Output Responses to Fiscal Policy
   - Barro and Redlick, Macroeconomic Effects from Government Purchases and Taxes
   - Mahedy and Wilson, Fiscal Policy in Good Times and Bad
   - Taylor, The Tax Cuts and Jobs Act, One Year Later
   - Reinhard and Rogoff, From Financial Crash to Debt Crisis
   - Ghosh et al., Fiscal Fatigue, Fiscal Space and Debt Sustainability
   - Sambanis et al., Austerity as Violence (2018, EBRD)

15. Oil Prices, Inflation, and Global Imbalances
   - Barsky and Kilian, Oil and the Macroeconomy Since the 1970s
   - Orphanides, Monetary-Policy Rules and the Great Inflation
   - Haldane, Global Imbalances in Retrospect and Prospect

16. Economic Complexity
   - Kirman, The Economic Crisis is a Crisis for Economic Theory
   - Georges, Product Innovation and Consumption Inequality in an Agent-Based Macro Model

17. Uncertainty and Expectations
   - Review of Statistics (handout)
   - 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, Bounded Memory, Overparameterized Forecast Rules, and Instability
   - Thurner, Farmer, and Geanakoplos, Leverage Causes Fat Tails and Clustered Volatility
   - Jackson, The Nonlinear Effects of Uncertainty Shocks
   - Bloom, Fluctuations in Uncertainty
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) with a condensed description of your topic and your 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, the cover articles in the Monthly Economic Trends publication from the FRB of St. Louis, 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 Economagic, 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. 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. 15% 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.

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: www.nber.org) maintains a working paper series that is of particular interest for macroeconomics. Various agencies such as the IMF (www.imf.org), Federal Reserve Board (www.federalreserve.gov), European Central Bank (www.ecb.int) 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.