Public Policy 475.003 / 750.007

Great Depression to Great Recession: Macroeconomic Policy and the Business Cycle

Josh Hausman

Course Information and Procedures

Location and time
Class meets Mondays and Wednesdays 1:10-2:30 in 1220 Weill.

Description
Since the 2008 financial crisis, most developed countries have suffered high unemployment and slow growth. What are options for policymakers in this environment? This course will analyze central issues in macroeconomic policymaking through the lens of history. Students will apply analytical tools to understand the consequences of monetary, fiscal and financial market policy in the Great Depression, in Japan after 1990, and in the recent Great Recession.

Prerequisites
This course assumes prior knowledge of introductory macroeconomics. If you have questions about this, please talk to me.

Course requirements
There will be reading quizzes, 2 problem sets, a short (5 page) paper, a midterm on 10/14, and a final on December 22nd, 4pm-6pm. NOTE: THE FINAL WILL NOT BE RESCHEDULED (except for medical reasons). IF YOU CANNOT MAKE THE FINAL EXAM DATE, YOU SHOULD NOT TAKE THIS CLASS.

Grades will be weighted as follows:
- Problem sets, reading quizzes (see below), and class participation: 10%
- Short paper: 30%
- Midterm: 25%
- Final: 35%

Contact information and office hours
Email: hausmanj@umich.edu
Office phone: (734) 763-3479
Office hours will be Mondays 2:30-4:30 pm in Weill 3309.
How to do well in this course
This course’s combination of economics and history makes it both challenging and rewarding. To do well in the course, you will need to master basic macroeconomic theory. The problem sets are designed to help you do this. You will also need to learn a substantial amount of macroeconomic history. Much of class time will be spent on this, but it will also be essential that you devote significant time to the readings. In number of pages, the reading list is light. Rarely are more than 60 pages assigned in a week. But I will expect that you come to class having read every page carefully. When parts of readings were not critical, I deliberately assigned only excerpts.

To give you an incentive to do the readings before class (and to attend class!), most classes will begin with a very brief one-question, three-minute quiz. It will be a question that will be easy to answer if you have done the reading and difficult to answer if you have not. Since it is likely that you will at some point have a good reason to miss class, I will drop your two lowest quiz scores.

Students with Disabilities
If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, I can work with the Office of Services for Students with Disabilities to help determine appropriate accommodations. I will treat any information you provide as private and confidential.

Reading List

Required book:


Note: Other than this required book, all readings will be available online (if a link is provided in the syllabus) or posted on ctools.

I. Introduction and Macroeconomics Review

9/9: Introductory meeting

9/14: Basic macro review. 1st PROBLEM SET HANDED OUT.
9/16: Monetary Policy in theory.

9/21: Fiscal Policy and Government Debt. 1st PROBLEM SET DUE.

9/23: The Role of Policymakers.

II. The Great Depression

9/28: Overview.

9/30: Monetary Policy with Fixed Exchange Rates. 2nd PROBLEM SET HANDED OUT.

10/5: The Gold Standard and the Great Depression

10/7: The Great Depression in the U.S. 2nd PROBLEM SET DUE.

10/12: Fiscal Policy and the New Deal.

10/14: Midterm
III. Japan

10/21: Japan’s financial crisis

10/26: Monetary Policy in Japan.

10/28: Policy options

11/2: Abenomics
- Reading by Joshua Hausman and Johannes Wieland (details to be determined).

11/4: Special topic: Writing in Economics. PAPER TOPICS HANDED OUT.
- Deirdre N. McCloskey. Economical Writing. (Entire book.)

IV. Financial Crises

11/9: Asset price Bubbles I

11/11: Asset price Bubbles II

11/16: Contagion I

11/18: Contagion II. OUTLINE AND 1ST PARAGRAPH OF ESSAY DUE.

V. Europe today
11/23: The Euro and its Crisis
• Readings to be determined

11/25: Does the Great Depression have Lessons for Europe?

VI. Recession, inequality, and growth in the U.S.

11/30: Recession

12/2: Inequality

12/7: Long-run prospects for the U.S. Economy

12/9: What can policymakers learn from history?

12/14: Review. PAPER DUE.

12/22 4pm-6:00pm: FINAL EXAM.