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 10:10-11:30 in 1210 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 current Great Recession.

Course requirements
There will be reading quizzes, 3 problem sets, a short (5 page) paper, a midterm, and a final. The final will be cumulative.

Grades will be weighted as follows:
• Problem sets, reading quizzes (see below), and class participation: 20%
• Short paper: 30%
• Midterm: 20%
• Final: 30%

Contact information and office hours
Email (the best way to reach me): hausmanj@umich.edu
Office phone: (734) 763-3479
Office hours will be Mondays 3-5 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!), each class 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

9/4: Introductory meeting

9/9: Basic macro review

9/11: Monetary Policy in theory. 1st PROBLEM SET HANDED OUT.

9/16: Fiscal Policy Overview
9/18: The Role of Policymakers. 1ST PROBLEM SET DUE.

II. The Great Depression

9/23: Overview.

9/25: Monetary Policy with Fixed Exchange Rates. 2ND PROBLEM SET HANDED OUT.

9/30: The Gold Standard and the Great Depression

10/2: Monetary Policy, Banking Panics, and the Great Depression in the U.S. 2ND PROBLEM SET DUE.

10/7: Understanding the policy response to the Depression.


10/16: Midterm
III. Japan and The Zero Lower Bound

10/21: Japan’s financial crisis

10/23: Monetary Policy in Japan. 3RD PROBLEM SET HANDED OUT.

10/28: Deirdre McCloskey visits.
- Special topic: Writing in Economics.
- Deirdre N. McCloskey. Economical Writing. (Entire book.)

10/30: Escaping the Zero Lower Bound? PAPER TOPICS HANDED OUT.

IV. Financial Crises

11/4: Asset price Bubbles. 3RD PROBLEM SET DUE.

11/6: Contagion

11/11: Consequences of Financial Crises
11/13: The 2008 Financial Crisis

V. The Euro and its Crisis

11/18: The Euro – Background. OUTLINE AND 1ST PARAGRAPH OF ESSAY DUE.

11/20: The Euro - Crisis

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

VI. The Great Recession in the U.S.

11/27: Overview

12/2: Fiscal Policy in the Great Recession.

12/4: The Slow Recovery

**12/9:** What can policymakers learn from history?


**12/11:** Review. PAPER DUE.

**12/17 1:30-3:30 pm:** FINAL EXAM.