

**Macroeconomic Policy**  
**ECONOMICS 2289G**  
Department of Economics  
University of Western Ontario  
Winter, 2021

**Instructor:** Al Slivinski

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**Office Hours:** Th, 2:00 – 3:30EST. Note that this only means that I will not schedule anything else during this time. If you want to meet, send me an email and I will send you a Zoom link.

**Class Times:** M 1:30-3:30, W 1:30- 2:30 EST, **Note that this is a synchronous online class.** Class meetings will occur during this time and will not be recorded.

**Course Description:** This is an essay course dealing with issues in contemporary macroeconomic policy. There is no textbook, the material you will need to understand and write about is contained in the class lectures, and in readings which are all available on the course Owl site.

**Evaluation:** As this is an essay course, 85% of your mark will be based on written assignments, including a final Policy Paper. The other 15% of your mark will be for participation. Your course mark out of 100 will break down as detailed below.

**1. Participation:** This has two components – 10 marks for Attendance and 5 for Input.  
Attendance - Everyone *starts* with 10 Attendance marks, and loses one mark for each class session for which they are not Present. To be considered Present for a class you must be on zoom throughout the class, with your camera on. Thus, more than 10 lectures in which you are not present will earn you a negative Attendance mark.  
Input - The 5 marks for Input are earned by emailing me 5 different Questions or Comments on class material. You can email me no more than one in any week. To get the Input mark your question/comment must be judged sufficiently relevant and substantive – by me. All such submitted questions will be taken up in class.

**2. Three take-home essay-writing assignments:** Each of these will be given to you on the dates listed below, and you will have one week to compose your answers. These will be marked for the quality of your writing as well as the content of your answers. These assignments will be posted on the Owl site for you to download on the dates given below. You will have to upload your answers into Owl by 4pm one week after. Turnitin will be used.

Assignment 1: Thursday, January 28 15% of course mark

Assignment 2: Thursday, March 4, 20%

Assignment 3: Thursday, March 25, 20%

**3. Policy Term Paper:** This will count for 30% of your mark. This is expected to be a 20 page (approximately) paper, due on April 15. Detailed instructions on this paper will be provided by the end of January.

## **Course Log**

The course website has a folder labelled Course Log. After each class session (or soon thereafter) I will update that log with a *brief* summary of what was covered that day, along with any announcements of what will be covered in coming lectures, including any readings for which you are responsible.

## **Course Outline**

All readings below are available on the Owl site. As macroeconomic policy is an ongoing part of the world, other readings may come to my attention during the course that I want you to read. These will be announced in class and put up on the website.

**Note: I do not post (or lend out) my slides or my lecture notes. Ever.** The only way to find out what is in them is to do the assigned readings, attend class and take notes.

### **I. Monetary policy past and present**

#### **A. Past and Present**

Bank of Canada, 2012, Backgrounder on The Bank Rate

Bank of Canada, 2012, How Monetary Policy Works: The Transmission of Monetary Policy

Bank of Canada, 2010, A Primer on the Implementation of Monetary Policy in the LVTS Environment

Bank of Canada, 2016, Backgrounder on Targeting the Overnight Rate

Bank of Canada, 2020, Explainer on Quantitative Easing

Board of Governors of the Federal Reserve, 2018, Monetary Policy: What Are Its Goals? How Does It Work?

Bank of England on Quantitative Easing

James Benford, Stuart Berry, Kalin Nikolov and Chris Young, 2009, Quantitative Easing, *Quarterly Bulletin of the Bank of England*

King, M, 2001, 'No money, no inflation: the role of money in the economy', *Économie internationale: Economic policy forum: does money still matter?* 2001/4 (no 88), pages 111-131

Kronick, J and W Wu, 2020, 'Water in the Wine? Monetary Policy and the Impact of Non-bank Financial Intermediaries, C D Howe Commentary No 563, November

Summers, L, 2014, 'U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound', *Business Economics*, Vol. 49, No. 2

Ambler, S and J Kronick, 2020, 'Canadian Monetary Policy in the Time of COVID-19', C D Howe Institute E-brief, October 8

Kowsman, P, 2020, 'Banks Pile Into Government Debt, Setting Up 'Doom Loop' Sequel in Europe', *Wall Street Journal*

Hirtentstein, A, 2020, 'Portugal Joins Negative-Rates Club With Benchmark Bond' *Wall Street Journal*

## **B. The Future? – Modern Monetary Theory**

Globerman, S, 2020, Modern Monetary Theory, Parts 1 – 4, *Fraser Forum*

Matthews, D, 2019, Modern Monetary Theory, explained, *Vox*, April 16

Dowd, K, 2020, The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy, *Cato Journal*, Fall

Mankiw, G, 2020, 'A skeptic's guide to modern monetary theory', *NBER Working Paper 26650*

## **II. The global financial crisis of 2007-08**

### **A. What happened**

Hausman, A and W. Johnston, 2014, 'Timeline of the financial crisis: introduction to the special issue', *Journal of Business Research*, 67: 2667-70

Federal Reserve Bank of St. Louis, 2015, 'Full timeline of the financial crisis'

Bernanke, B, 2013, *The Federal Reserve and the Financial Crisis*, Princeton University Press - Lecture 3: The Federal Reserve's Response to the Financial Crisis

Mishkin, F S, 2011, Over the Cliff: From the Subprime to the Global Financial Crisis, *Journal of Economic Perspectives*, 25, pp. 49–70

Kiff, J, and P Mills, 2007, 'Money for Nothing and Checks for Free: Recent Developments in U.S. Subprime Mortgage Markets', *IMF Working Paper 07/188*

Demyanyk, Y, and O Hemert, 2011, 'Understanding the Subprime Mortgage Crisis', *The Review of Financial Studies*, 24, pp 1848–1880

### **B. Causes and post-mortems**

Hellwig, Martin, 2008, The Causes of the Financial Crisis, *CESifo Forum*, Vol. 09, pp. 12-21

Taylor, J. B., 2009, 'The Financial Crisis and the Policy Responses: An Empirical Analysis of What Went Wrong', *NBER Working paper 14631*

Cooper, R, 2020, 'Into the Maw: How Obama-era economics failed us', *The Nation*

Bernanke, B, 2013, *The Federal Reserve and the Financial Crisis*, Princeton University Press - Lecture 4: The Aftermath of the Crisis

Viral V. Acharya & Matthew Richardson (2009), Causes of the financial crisis, *Critical Review*, 21:2-3, 195-210

### **III. Technological change, productivity, and the labour share of income**

Mokyr, J, 2018, 'The past and the future of innovation: Some lessons from economic history', *Explorations in Economic History*

Mokyr, J, Vickers and Ziebarth, 2015, 'The History of Technological Anxiety and the Future of Economic Growth: Is This Time Different?', *Journal of Economic Perspectives*; 29, pp 31–50

Borland and Coelli, 2017, 'Are robots taking our jobs?' *Australian Economic Review*, 50, no. 4, pp. 377–97

Autor, D, 2015, 'Why Are There Still So Many Jobs? The History and Future of Workplace Automation' *Journal of Economic Perspectives*, 29, Number 3, Pages 3–30.

Frey, C B, and M Osborne, 2017, 'The future of employment: How susceptible are jobs to computerisation?', *Technological Forecasting & Social Change*

Elsby, M, B Hobijn and A Sahin, 2013, 'The Decline of the U.S. Labor Share', *Brookings Papers on Economics*

Autor, David, David Dorn, Lawrence F. Katz, Christina Patterson, and John Van Reenen. 2017. "Concentrating on the Fall of the Labor Share." *American Economic Review*, 107 (5): 180-85.

Wyonch, R, 2020, 'The Next Wave: Automation and Canada's Labour Market', C D Howe Institute Commentary 585, November

Green, D and B Sand, 2015, 'Has the Canadian Labor Market Polarized?', *Canadian Journal of Economics*, 48

Erauskin, I, 'The labor share and income inequality: some empirical evidence for the period 1990-2015', *Applied Economic Analysis*, Vol. 28 No. 84, 2020, pp. 173-195

Taylor, K B, 2017, 'Sunset for the American Dream', *International Journal of Social Economics* Vol. 44 No. 12, pp. 1639-1653

Free exchange: The rising cost of education and health care is less troubling than believed, *The Economist* Jun 20th 2019

### **IV. Poverty, inequality and remedies**

Corak, M, 2016, 'Inequality is the root of social evil,' or Maybe Not? Two Stories about Inequality and Public Policy', *Canadian Public Policy*

Atkinson, A.B., Piketty, T. and Saez, E. (2011), "Top incomes in the long run of history", *Journal of Economic Literature*, Vol. 49 No. 1, pp. 3-71.

- Atkinson, A. B, 2015, ‘Can we reduce inequality in OECD countries?’, *Empirica*, 42:211–223
- Paine T (1945[1797]) *Agrarian Justice*. In: Foner PS (ed.) *The Complete Writings of Thomas Paine.*, New York: The Citadel Press: pp. 605–623.
- Pulkka, V, 2017, ‘A free lunch with robots – can a basic income stabilise the digital economy?’, *Transfer*, 23(3) 295–311.
- Hoynes, H, and J Rothstein, 2019, ‘Universal Basic Income in the United States and Advanced Countries’ *Annual Review of Economics*, 11:929–58
- Thomas Straubhaar, 2017, “On the Economics of a Universal Basic Income”, *Intereconomics*
- Heiner Flassbeck, 2017, “Universal Basic Income Financing and Income Distribution – The Questions Left Unanswered by Proponents” *Intereconomics*
- Kesselman, J R, 2018, ‘Can “self-financing” redeem the Basic Income Guarantee? Disincentives, efficiency cost, tax burdens, and attitudes’, *Canadian Public Policy*
- Simpson and Stevens, 2018, Rejoinder to Kesselman, *Canadian Public Policy*
- Kearney, M, and M. Mogstad, 2019, ‘Universal Basic Income (UBI) as a Policy Response to Current Challenges’, Working paper, Aspen Institute Economic Strategy Group
- Micalopoulou, C, Robins, P, Card, D, 2005, “When financial work incentives pay for themselves: evidence from a randomized social experiment for welfare recipients” *Journal of Public Economics* Volume 89, Issue 1, January 2005, Pages 5-29
- Hoynes, H, M Page and A Stevens, 2006, ‘Poverty in America: Trends and Explanations’, *Journal of Economic Perspectives*—Volume 20, Number 1—Pages 47–68

### **Basic Rules and Advice for Ec 2289G**

1. It is your responsibility to keep yourself informed about the course: in particular all required readings and the dates for all assignments. All of this information will be presented in class and also can be found on the course website and outline.
2. You are welcome to communicate with me via email. I will answer as promptly as possible, subject to the following constraints:
  - a. If you send an email with a question whose answer is clearly provided on the website or course outline, I’ll ignore the email; see Point 1 above.
  - b. If you ask a question about the course material – and in this course you are required to do so at least 5 times – I will discuss your question in class.
  - c. The university’s position on Ontario’s *Freedom of Information and Privacy Protection Act* implies that I am not to respond to any email in a way that could possibly be interpreted as conveying confidential academic or personal information, **unless** it is to a *UWO* email address. Therefore, if you want to be sure to get an answer from me to any email, write to me from your *UWO* email account.

3. My lectures sometimes use slides, but are mostly ‘chalk and talk’. Everything in the lectures is designed to be an elaboration of the material you are expected to read for the course, therefore **I will not post slides or lecture notes on the website**, unless the slides contain detailed graphs or data you cannot get access to otherwise. Understanding the material in this course will require you to read the text and other materials and come to the lectures to take notes and ask questions.

4. The course lectures are intended to be interactive, and you are expected to arrive having read the assigned material and to participate. Anything that comes up in a lecture is part of the course material, so you are absent at your peril, on top of the deduction from your participation mark.

**Long experience in this and other courses has made the following clear: *if you do not attend class and take notes, you will not do well.* Further – taking pictures of my slides/screen or the whiteboard is not an effective substitute for taking notes; you need to engage your brain, not a camera.**