

Macroeconomic Policy
ECONOMICS 2289G
Department of Economics
University of Western Ontario
Winter, 2022

Instructor: Al Slivinski

Office: 4089 SSC

Phone: (519) 661-2111 ext. 85294

E-mail: aslivins@uwo.ca

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 2:30- 3:30 EST, **Note that this is a synchronous online class, until and unless our masters let us meet in person.** Class meetings will occur during this time on Zoom, and will not be recorded. If we ever do go to in-person meetings the classroom is HSB 35.

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 – Attendance and Input. All students start with 15 Participation marks, and lose those marks in either of the following ways.

Attendance - One mark is lost 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. If we ever go in person, then you must be in the classroom at the start of class, and sign the attendance sheet. **Note** that I do not accept SRAs as an excuse for non-attendance.

Input – Each student is required to submit to me, via email, four substantive questions about the course readings. Two of those questions must be submitted before 5pm on Feb 13, and the other two before 5pm on April 3. Failure to get two questions in by Feb 13 cannot be made up for by submitting more than two questions afterward. These questions will be taken up in class and posted on the Owl site, and they and their answers will be part of the course material. I will be the final judge of whether a question meets the ‘substantive’ standard. To be accepted, any question must demonstrate an understanding of the reading it is asking about. Each question less than the four required will result in a deduction of two participation marks.

Note that failure to submit acceptable questions plus sufficient non-attendance can earn one a *negative* participation mark.

2. Two 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: Wednesday, January 26 15% of course mark

Assignment 2: Wednesday, March 2 , 20% of course mark

Any assignment not turned in when due will receive an immediate 5% penalty, with an additional penalty of 5% for each additional day late. A paper turned in more than 5 days late will get a mark of 0. **Note** that an SRA will not exempt a late assignment from late penalties.

3. In-class essay exam: This will happen in class on Monday, March 14. Details will depend on whether we are in-person, but it will consist of one or two essay questions. Again, an SRA will not exempt you from taking the test on the date scheduled. This will count for 20% of your course mark.

4. Policy Term Paper: This will count for 30% of your mark. This is expected to be a 20 page (approximately) paper, due on April 13. Detailed instructions on this paper are on the Owl site. The same late penalties apply here as for the other writing assignments.

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. We will not go through every one of these readings in class, so you need to pay attention to which readings will be taken up as we go through the term.

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, 2021, Understanding our Policy Interest 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*

Griffin, J, 2021, "Ten Years of Evidence: Was Fraud a Force in the Financial Crisis?" *Journal of Economic Literature*, 59: 1293-1321

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. 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

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

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 4 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.

Please Note
Department & University Policies for Winter 2022

The University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. **Guidelines, policies, and your academic rights and responsibilities** are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated policies and procedures.
2. Students must familiarize themselves with the **“Rules of Conduct for Examinations”** http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat.” The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments to the instructor.
6. **Appeals:** University policies and procedures for appealing a mark can be found in the Student Academic Appeals section in the current Western Academic Calendar at: http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14. **Please note the relevant deadlines.**

Department of Economics procedures for appealing a mark can be found here: https://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals. The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed to submit an appeal to econugrd@uwo.ca. Please follow the instructions and use the appeal form shown in the above link.

7. **Systematic adjustments of a class grade distribution** (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following **add and drop deadlines**:

Deadline to add a second term half course:

Tuesday January 18, 2022

Deadline to drop a second term half course:

Monday March 14, 2022

Policy Regarding Makeup Tests and Final Examinations

Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policies Regarding Academic Accommodation

- The Faculty of Social Science's policies on academic accommodation are found at https://counselling.ssc.uwo.ca/procedures/academic_consideration.html
- **Accommodation for Students with Disabilities:** Students with disabilities or accessibility challenges should work with Accessible Education (formerly SSD, see http://academicsupport.uwo.ca/accessible_education/index.html), which provides recommendations for accommodation based on medical documentation or psychological and cognitive testing. The accommodation policy can be found here: [Academic Accommodation for Students with Disabilities](#).
- **Rewriting Exams and Retroactive Reweighting are NOT Permitted:** Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Self-Reported Absences cannot be used once a student has proceeded to start to write a test or exam.
- **Self-Reported Absences:** Students will have two opportunities during the fall and winter terms to receive academic consideration if they self-report a missed assessment using the online self-reported absence portal, provided the following conditions are met: the assessment is missed due to an absence of no more than 48 hours in duration, and the assessment for which consideration is being sought is worth 30% or less of the student's final grade. Students are expected to contact their instructors within 24 hours of the end of the period of the self-reported absence, unless noted otherwise on the syllabus. Students are not able to use the self-reporting option in the following circumstances:
 - for exams scheduled by the Office of the Registrar (e.g., final exams)
 - absence of a duration greater than 48 hours
 - assessments worth more than 30% of the student's final grade
 - if the student has opened or started the test or exam
 - if a student has already used the self-reporting portal twice during the fall/winter terms

If the conditions for a Self-Reported Absence are *not* met, students will need to provide a

Student Medical Certificate (SMC) if the absence is medical or provide appropriate documentation if there are compassionate grounds for the absence in question. Students are encouraged to contact their Faculty academic counselling office for more information about the relevant documentation. It is strongly recommended that students notify the instructor as soon as possible, ideally before the assessment, when they become aware of an absence. University policy is that students must communicate with their instructors no later than 24 hours after the end of the period covered by the SMC or immediately upon their return from their documented absence. Failure to follow University policy and procedures may result in denial of academic accommodation and a grade of zero.

- **Documentation for Accommodation:** Individual instructors are not permitted to receive documentation directly from a student, whether in support of an application for consideration on medical grounds or for other reasons. **All required documentation for absences that are not covered by the Self-Reported Absence Policy must be submitted to the Academic Counselling office of a student's Home Faculty.**
- **Western University policy on Consideration for Student Absence** is available here: [Policy on Academic Consideration for Student Absences - Undergraduate Students in First Entry Programs](#).
- **Student Medical Certificate (SMC):** This form is available here: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf
- **Religious Accommodation:** Students should consult the University's list of recognized religious holidays and should give reasonable notice in writing, prior to the holiday, to the Instructor and an Academic Counsellor if their course requirements will be affected by a religious observance. Additional information is given in the [Western Multicultural Calendar](#).

Policy Regarding Class Attendance and Engagement: If the instructor deems a student's attendance or engagement in the class to be unsatisfactory, that student may be prohibited from writing the final examination. Examples of unsatisfactory class engagement include frequent absences from an in-person or synchronous online class, lack of assignment submissions, and inadequate use of online course materials. Instructors who intend to make use of this policy will notify the student in advance.

Statement on Mental Health and Support Services: Students under emotional/mental distress should visit https://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.

Statement on Remote Proctoring: While Western intends to hold most classes, mid-terms and finals in-person, the London-Middlesex Health unity may require western to teach in a remote format. If this occurs, all assessments will be done remotely and may involve the use of remote proctoring software (i.e., Proctorio, ProctorTrack). Instructors will provide information on the details should the need arise.