

# Applied Macroeconomic Analysis

## Spring 2022

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Office Hours: Appointments always welcome.

In one semester of macro, we cannot cover all of the important components of the field. Instead, we will focus on two aspects: (1) the evolution of central banking, money and the 2008 financial crisis; and (2) new and interesting work using natural experiments to study macroeconomic phenomena. My hope is that instead of being an exhaustive review of macro, the class will spark your interest in the field and lead you to read more macroeconomics on your own and perhaps work on research in the area as well.

You should aim for perfect attendance with this course. Since we only meet once a week, if you have to miss a week, you will miss a lot of material. Having said that, stuff happens (especially during a pandemic!) If you need to miss a class, let me know beforehand so you can keep on track. I expect that you will come to class having read the papers and be ready to discuss them in depth. If participation seems to be waning in the class, I may add homework assignments to count as part of your participation grade.

### Assessing Learning

Participation	30%
Midterm exam	25%
Paper presentation	15%
Final Project	30%

### What to do if you need help with writing:

Please let me know if you are finding the reading or writing in this class difficult. Besides getting feedback from me, the [University Writing Center](#) is a great resource to help you with your writing. It is located in Room 175 of the English/Philosophy Building (see circled building below on the map). Their phone number is 742-2476 and they have recently started an online scheduler. Here is the link: [WCOnline](#).

## Schedule

### January 12<sup>th</sup> Introduction to Central Banking

Neil Irwin, *The Alchemists*, Chapters 1-3

### January 19<sup>th</sup> Monetary Basics

Mishkin, Frederic, 1995, Symposium on the Monetary Transmission Mechanism, *Journal of Economic Perspectives* 9(4), pp. 3-10.

Alan Blinder, 1997, What central bankers can learn from academics—and vice versa, *Journal of Economic Perspectives*, 3-20.

Alan Blinder, 1998, *Central Banking in Theory and Practice* (MIT Press), Chapter 1 and sections 1-3 of Chapter 2, Chapter 3.

### January 26<sup>th</sup> Monetary Policy Tools

Blinder, A.S., 2020. What does Jerome Powell know that William McChesney Martin did not—And what role did academic research play in that?. *The Manchester School*, 88, pp. 32-49.

Ireland, Peter, 2019, "Interest on Reserves: History and Rationale, Complications and Risks," *Cato Institute*, Spring/Summer.

Bernanke, B.S., 2020. The new tools of monetary policy. *American Economic Review*, 110(4), 943-83.

### February 2<sup>nd</sup> Monetary Policy and Interest Rate Rules

Francesco Asso, George Kahn and Robert Leeson, 2007, "[Monetary Policy Rules: from Adam Smith to John Taylor](#)," Taylor Rule conference, Dallas Fed, Sections 1-2 and 10.

Noah Smith, 2017, "[Taylor and His Rule Are Not What the Fed Needs](#)," Bloomberg, October 19<sup>th</sup>.

Tyler Cowen, 2014, "[Why the Taylor Rule isn't a rules-based approach to monetary policy](#)," July 14<sup>th</sup>, [www.marginalrevolution.com](http://www.marginalrevolution.com)

Luther, Will, 2020, "Average Inflation Targeting and Expectations", AIER, September 6<sup>th</sup>.

**February 9<sup>th</sup>                      Central Banking and the 2008 Financial Crisis**

Neil Irwin, *The Alchemists*, Chapters 9-12

**February 16<sup>th</sup>                      Macroeconomics of Populism & Hyperinflation**

Dornbusch, R. and Edwards, S. (Eds.), 2007. *The Macroeconomics of Populism in Latin America*. University of Chicago Press, selected chapters.

Huertas, G., 2019. 19-13 [Hyperinflation in Venezuela: A Stabilization Handbook](#).  
Peterson Institute for International Economics

*Economist*, "Hyperinflation is hard to grasp, harder still to tolerate," September 15<sup>th</sup>, 2018.

**February 23<sup>rd</sup>                      Inflation & the COVID-19 Pandemic**

*Economist*, "Why supply-chain snarls still entangle the world," December 18<sup>th</sup>, 2021.

Luther, Will, 2021, "Fed Officials Think Inflation Should Remain High Through 2024," AIER, December 23<sup>rd</sup>.

Cochrane, John, 2021, "The Ghosts of Christmas Inflation," *Project Syndicate*, December 23<sup>rd</sup>,

Cochrane, John, 2021, "The ECB's dilemma," *The Grumpy Economist*, December 12<sup>th</sup>.

Grier, K., 2022, "Infinite Jest," *The Independent Review*.

**March 2<sup>nd</sup>                              Fiscal Policy in a Pandemic**

Makin, A.J. and Layton, A., 2021. The global fiscal response to COVID-19: Risks and repercussions. *Economic Analysis and Policy*, 69, pp.340-349.

Deb, P., Furceri, D., Ostry, J.D., Tawk, N. and Yang, N., 2021. The Effects of Fiscal Measures During COVID-19. *IMF Working Papers, 2021* (262).

Smith, Noah, 2020, The new macro: "Give people money."

Summer, Larry, 2020, "Trump's \$2,000 Stimulus Checks Are a Big Mistake," Bloomberg, December 27<sup>th</sup>.

**March 9<sup>th</sup>                      Midterm Exam**

**March 23<sup>rd</sup>                      Macro & Labor**

Giuliano, P. and Spilimbergo, A., 2014. Growing up in a Recession. *Review of Economic Studies*, 81(2), pp. 787-817.

Albanesi, S. and Kim, J., 2021. Effects of the COVID-19 recession on the US labor market: Occupation, family, and gender. *Journal of Economic Perspectives*, 35(3), pp. 3-24.

"Three key numbers that explain America's labor shortage," *CNN Business*, December 25<sup>th</sup>, 2021.

**March 30<sup>th</sup>                      Agriculture & Macro I**

Mueller, C.C. and Mueller, B., 2016. The political economy of the Brazilian model of agricultural development: Institutions versus sectoral policy, *Quarterly Review of Economics & Finance*, 62, 12-20.

Martín-Retortillo, M., Pinilla, V., Velazco, J. and Willebald, H., 2018. The goose that laid the golden eggs? Agricultural development in Latin America in the 20<sup>th</sup> century. In *Agricultural Development in the World Periphery* (pp. 337-363).

**April 6<sup>th</sup>                      Agriculture & Macro II**

Kayizzi-Mugerwa, S., 1998. A review of macroeconomic impediments to technology adoption in African agriculture. *African Development Review*, 10(1), 211-225.

Hsiang, S.M. and Meng, K.C., 2015. Tropical Economics. *American Economic Review*, 105(5), pp. 257-61.

**April 13<sup>th</sup>      Persistent Effects of Historical Institutions**

Banerjee, A. and L. Iyer (2005). History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. *American Economic Review* 95 (4), 1190–1213.

Dell, M. (2010). The Persistent Effects of Peru's Mining Mita. *Econometrica* 78(6), 1863–1903.

**April 20<sup>th</sup>      Shocks to the Political Balance of Power**

Jia, R., 2014. Weather shocks, sweet potatoes and peasant revolts in historical China. *The Economic Journal*, 124(575), pp.92-118.

Chaney, E. (2013). Revolt on the Nile: Economic Shocks, Religion and Political Power. *Econometrica* 81(5), 2033–2053.

**April 27<sup>th</sup>      Geography & Path Dependence**

Bleakely, H. and J. Lin (2012). Portage and Path Dependence. *Quarterly Journal of Economics* 127, 587–644.

Miguel, E. and G. Roland (2011). The Long Run Impact of Bombing Vietnam. *Journal of Development Economics* 96 (1), 1–15.

Dalgaard, C.J., Kaarsen, N., Olsson, O., and Selaya, P., 2018. "Roman Roads to Prosperity: Persistence and Non-Persistence of Public Goods Provision," working paper.