

Applied Macroeconomic Analysis

Spring 2021

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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.

This will be a hybrid course; I hope to be able to teach in person after getting vaccinated. We will discuss several readings each class period. I have set up a Slack website for our class so we can chat about the papers ahead of time. This is a great place to exchange ideas and ask clarifying questions about the reading before we meet on zoom to discuss as a group. You can also contact me either through Slack or email.

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%
Poster session of a paper	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 20th Central Banking

Neil Irwin, [The Alchemists](#), Chapters 1-3

January 27th The 2008 Financial Crisis

Neil Irwin, [The Alchemists](#), Chapters 9-12

Krugman, "Can Europe Be Saved?"

Various articles by Michael Lewis

February 3rd Monetary 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.

Clark, T.L., 1994. [Nominal GDP targeting rules: can they stabilize the economy?](#) *Economic Review-Federal Reserve Bank of Kansas City*, 79, pp.11-11.

Ball, L., 2016. Ben Bernanke and the zero bound. *Contemporary Economic Policy*, 34(1), pp. 7-20.

February 10th Hyperinflation

Fischer, Stanley, Ratna Sahay, and Carlos A. Végh. 2002. "Modern Hyper- and High Inflation." *Journal of Economic Literature*, 40 (3): 837-880.

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

February 17th State Capacity

Cárdenas, M., 2010. State capacity in Latin America, *Economía*, 10 (2), pp.1-45.

Dell, M., Lane, N. and Querubin, P., 2018. The historical state, local collective action, and economic development in Vietnam. *Econometrica*, 86(6), 2083-2121.

February 24th Agriculture & Macro

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.

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

March 3rd 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.

Hornbeck, R. and S. Naidu (2014). When the Levee Breaks: Black Migration and Economic Development in the American South. *American Economic Review* 104 (3), 963–90.

March 10th Shocks to the Political Balance of Power

Brueckner, M. and A. Ciccone (2011). Rain and the democratic window of opportunity. *Econometrica* 79(3), 923–947.

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

March 17th Midterm Exam

March 24th The Effect of Social Ties on Trade and FDI

Rauch, J. E. and V. Trindade (2002). Ethnic Chinese Networks in International Trade. *Review of Economics and Statistics* 84 (1), 116–130.

Parsons, C. and Vézina, P.L., 2018. Migrant networks and trade: The Vietnamese boat people as a natural experiment. *The Economic Journal*, 128(612), pp.F210-F234.

March 31st 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.

Dell, M. and Querubin, P., 2018. Nation building through foreign intervention: Evidence from discontinuities in military strategies. *The Quarterly Journal of Economics*, 133(2), 701-764.

<https://voxeu.org/article/nation-building-through-foreign-intervention>

April 7th The Permanent Income Hypothesis

Romer, tba.

Chang-Tai Hsieh, “Do Consumers React to Anticipated Income Changes? Evidence from the Alaska Permanent Fund,” *American Economic Review*, 2003, pp. 397-405.

April 14th The Fiscal Multiplier: Military Spending as a Natural Experiment

Ramey, V. A. and M. D. Shapiro (1998, June). Costly capital reallocation and the effects of government spending. *Carnegie-Rochester Conference Series on Public Policy* 48 (1), 145–194.

Edelberg, W., M. Eichenbaum, and J. D. Fisher (1999). Understanding the Effects of a Shock to Government Purchases. *Review of Economic Dynamics* 2 (1), 166–206.

April 21st Macroeconomics of Populism

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

April 28th The macroeconomics of Covid-19

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

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

Altig, D., Baker, S., Barrero, J.M., Bloom, N., Bunn, P., Chen, S., Davis, S.J., Leather, J., Meyer, B., Mihaylov, E. and Mizen, P., 2020. Economic uncertainty before and during the COVID-19 pandemic. *Journal of Public Economics*, 191.