

Winter 2025: Macroeconomics for Public Policy (PP345)

Background and goals

This course examines the functioning of the aggregate economy, including the determinants of long-run growth and the nature of the business cycle. The emphasis will be on the U.S. economy and the impact of monetary and fiscal policies on output, employment, and inflation, but the methods of analysis are applicable to other economies (especially other advanced economies) as well. Students will use the frameworks developed in the course to analyze current macroeconomic events and policy questions. The course will be similar to an “intermediate level” undergraduate or MBA class, meaning that basic microeconomic theory will be assumed, and that there will be some, but not a large amount of, math. However, even when there aren’t explicit equations, rigorous thinking will be required to follow and develop arguments.

Prerequisites

Basic microeconomic theory.

How this class will work

Lectures will be on Tuesdays from 6:30 to 9:20 in Keller 2112. There will be a short break in the middle of the class time. I will try to have the slides available on the course Canvas site by midafternoon the day of class.

I expect students will normally attend class in person, have read relevant material and be ready to ask questions, which will help fellow students. However, I intend to record classes using zoom and post them on the canvas site.

Student assignments

Weekly homework assignments. The assignments should be typed up and submitted to Edward in electronic form. Students may work in groups of up to three. Edward will create a signup sheet to facilitate creating groups. The two problem sets with the lowest score will be dropped. Thus, requests for extensions will be unlikely to be accepted.

Midterm. The midterm will be on Monday, Feb 5. The exact time and place will be determined after the first two classes.

Final. The final will be Tuesday March 5 during normal class time (6:30 – 9:30) in Keller 2112.

Macro Policy Essay. Students will write a short essay analyzing the likely effects of some recent event or policy proposal with macroeconomic significance. Students may again work in groups of up to three.

The analysis should make use of the models discussed in class such as the loanable funds model and the ISLM model. Students might also, if they thought it appropriate, make use of other analytical frameworks to analyze proposals or events. (In such cases, it would be best if students sent me an e mail describing roughly what they had in mind before doing a lot of work.) The expectation is that the analysis would be mainly qualitative with conclusions like “proposal X is likely to temporarily raise GDP and interest rates,” rather than proposal X is likely to raise GDP by 2% for 6 quarters and lower the 10-year Treasury rate by 50 basis points.” Of course, if students want to attempt to draw quantitative conclusions that could be interesting. However, I am not expecting any original empirical analysis.

Analysis of events or policy proposal can be any that seem likely to have a significant effect on all or a major part of some economy. The events or policy proposals don’t have to be limited to those effecting the U.S. economy. Indeed, those focusing on other countries have the advantage that I will almost certainly learn something new.

Events could be things like a natural disaster or a big change in the world price of a commodity that is important to a particular economy. A policy proposal could be one that has already been implemented or one that is still being debated. It could involve a change in taxation, government spending, or regulation. Examples of policy proposals might include, Medicare for all, wealth taxation, looser immigration rules, a universal basic income, increased infrastructure spending, temporary or permanent payroll tax increases, stronger antitrust policy, pension reform in France, a change in the Chinese hukou system, or many other policies.

Students should submit one or more ideas for the event or proposal as part of the third weekly homework assignment. If the event or proposal seems too difficult to analyze with the models from class, or it is one I intend to talk about in detail myself, I will suggest they choose a different one.

Alternatively, students who have an interest in some other, less macroeconomic set of public policies could choose to write an essay on how those policies could be affected by different business cycle conditions. For example, how would the policies (e.g. EITC, or affordable housing efforts) fare under a bad recession versus an economic boom. If this alternative seems like it could be of interest, please let me know as soon as possible so that we can talk about it in more detail.

Essays should be about five or six pages of text, plus supporting materials such as graphs and tables. Students should normally work in groups of two or three, but requests to work alone will be considered if someone has a good reason. Essays will be due early in finals week.

Grades. Homework 15%, Midterm 25%, Policy Essay 15%, Final: 45%.

To earn a passing grade, students taking the course pass/fail must: complete and submit all assignments; take both midterm and final exams; and earn passing grades on each assignment and exam.

Readings

The textbook for the course is *Macroeconomics* by Andrew Abel, Ben Bernanke, and Dean Croushore. The current, eleventh, edition differs from other recent editions principally in its description of recent events, mainly in “boxes.” It probably wouldn’t be too inconvenient to use the tenth or even an earlier edition. Just be sure to check that any exercises that are assigned are the same as those in the new edition.

Students should also read additional articles by economists and policy makers as well as selections from such sources as the Federal Reserve (e.g., Congressional testimony and Federal Open Market Committee (FOMC) meeting transcripts and minutes), and the Congressional Budget Office (e.g., analysis of the Federal budget). Finally, these relatively formal readings will be supplemented with articles from the popular media (Wall Street Journal (WSJ), New York Times (NYT), the Financial Time (FT), Slate, The Economist, etc.), which serve as motivation for the course material and sometimes make useful substantive points. (I’ll probably also put up a few dopey articles to make fun of.) These will be optional in the sense that I won’t ask about them on tests (unless I explicitly say otherwise), but students will get more out of the course if they read the articles. Readings other than the textbook should be accessible through the course website. To get the most out the supplementary materials, students should do the reading before coming to class.

During some classes we may discuss one or more of the economic statistics that have recently been released. This will be more meaningful if students read the statistical agency’s press release and some of the media coverage before attending class. Information on how to find release will be on the Canvas site.

Tentative schedule

Note that the Midterm will be on Monday, February 5, rather than during normal class time. Also, the first class will be on Thursday, Jan 4.

Class	Topic	Abel, Bernanke, and Croushore	Data releases to be aware of
1 Jan 7	Introduction	1.1-1.3	12/19 Final GDP
	National accounts	2.1-2.2, 2.4	1/7 JOLTS
	Production Function	3.1	1/7 Foreign Trade

2	Jan 14	Labor demand Labor supply Labor market equilibrium Unemployment	3.2-3.5	1/10 Employment Situation 1/14 Producer Prices 1/14 Industrial Production
3	Jan 21	Growth Accounting Solow Model Goods market equilibrium Savings and Consumption	6.1, 6.2, 6.4 2.3,	1/15 Consumer Prices 1/16 Retail Sales 1/17 Residential Construction
4	Jan 28	Investment Goods market equilibrium	2.5, 4.3, 4.1, 4.A, 4.2, 15.34.3,	1/24 Consumer Sentiment (MI) 1/25 Existing Home Sales 1/27 New Home Sales 1/28 Consumer Confidence (CB) 1/28 Advance Durable Goods 1/28 FHFA Prices
5	Feb 4	Open Economies Money	5.1-5.5 7.1-7.2	1/29 FOMC Statement 1/30 Advance GDP 1/31 Personal Income 1/31 Employment Cost Index 2/3 ISM Manufacturing Index 2/4 JOLTS
Monday, Feb 10: Midterm, exact time and place to be determined				
6	Feb 11	Inflation Central banking Business cycle facts	7.3-7.5, 12.4, 14.1-14.2 15.4, 15.A, 8.1- 8.4	2/5 Foreign Trade 2/5 ISM Non-manufacturing 2/6 Productivity and Costs 2/7 Employment Situation
7	Feb 18	IS-LM Model	9.1-9.5, 10.1, 10.3, 11.1-2, 12.2,	2/12 Consumer Prices 2/13 Producer Prices 2/14 Retail Sales 2/17 Industrial Production

8	Feb 25	Exchange rates and open economy IS-LM AD-AS Model Okun's Law Unemployment and inflation	13.1-13.4, 9.6, 10.5, 3.5-3.6 12.1-12.5	2/19 Residential Construction 2/19 FOMC Minutes 2/21 Existing Home Sales 2/21 Consumer Sentiment (MI) 2/25 FHFA Home Prices
9	Mar 4	Monetary policy topics Fiscal policy topics Current macro situation	11.3-11.4, 14.4 14.5, 15.2-4	2/26 New Home Sales 2/27 Advance Durable Goods 2/27 Preliminary GDP 2/28 Consumer Confidence (CB) 2/28 Personal Income 3/3 ISM Manufacturing Index
March 11: Final Exam in Keller 2112 during normal class time.				

Instructor office hours

Email dgs@uchicago.edu to make an appointment. Good times will likely be Tuesdays about an hour before class or after class.

Teaching assistant

Edward Chiu will grade the homework and be available to answer questions. Email him at eyc@uchicago.edu to make an appointment or ask a question.