

Rutgers University Newark  
Department of Economics

**21:220:402 Current Economic Conditions**  
**26:220: 513 Monetary Theory and Policy**

Fall 2020  
Tuesdays and Thursdays 2:30-3:50 online Zoom class

Professor John Graham

**Zoom classroom link (also found on blackboard):**

This link should work all semester long. You can even log on early if you want to chat with fellow classmates before I join the class at 2:30.

<https://rutgers.zoom.us/j/97865132623?pwd=N25jUXZlQ1RFUjZ6NE9RYm1EWUE4QT09>

**How to Contact me:**

Email: [jwgraham@newark.rutgers.edu](mailto:jwgraham@newark.rutgers.edu) Feel free to email me anytime. I will make it a point to respond to you as soon as possible.

**Virtual Office Hours:**

Every Tuesday, Wednesday, and Thursday 1-1:30pm.

To enter my virtual office, use the appropriate Zoom office hours link below. You may have to wait to enter if somewhere is already chatting with me, but I will admit you as soon as possible. If you cannot make regular office hours but have a pressing concern, email me. If necessary, we can set up a special time for a private Zoom chat.

**Zoom office hours link (also found on blackboard):**

<https://rutgers.zoom.us/j/96233173429?pwd=STZrZUNYY0hpbFF3ekRLbHY1R1ZkZz09>

**Blackboard Course Website:**

Log in to Blackboard and navigate to our course for important updated information all semester long. You will submit all your required papers via blackboard, using the Assignment link. Any updates to the syllabus will also be posted there.

**Free digital subscriptions to the New York Times and Wall Street Journal:**

Go to the library website (<https://www.libraries.rutgers.edu/>). Click on **Find** at the top of the page, select **Indexes & Databases** and then locate the two newspapers from the alphabetical list. You will be asked to connect via your Rutgers login to setup daily digital delivery. Please subscribe to both papers asap!

## Course Prerequisites

If you are an undergraduate enrolled in Econ 414, you must already have completed 302, Intermediate Macro with a grade of C or better. (Under no circumstances can the two courses be taken at the same time.) If in doubt of your eligibility, email me.

## Course requirements:

- Class participation (25%), based on Zoom attendance, presentations and comments.
- First paper (45%) comparing the 2020 and 2008 recessions. (The first draft is due by Friday Oct 16 and the final revised version is due by mid-November.)
- Second paper (30%) on current monetary policy issues due Dec 10th.

## Writing Intensive

This course is designated writing intensive (for undergraduates) and can be used in place of Seminar in Economics (220:406) if economics is your major. Being a good writer means in large part learning to edit yourself and to rewrite what you write. As such, you will have the opportunity to revise your first paper.

## Learning Goals for our course:

1. Apply macro theory to the real world and improve your understanding of current economic conditions and contemporary policy debates.
2. Learn more about past, current (and future) monetary policy.
3. Improve your ability to obtain, comprehend and analyze macroeconomic data; and improve your technical writing (and rewriting) skills.

## Some useful web links:

Brookings US Economy (<https://www.brookings.edu/topic/u-s-economy/>)  
Bureau of Economic Analysis (<https://www.bea.gov/>)  
Bureau of Labor Statistics (<https://bls.gov>)  
Calculated Risk (<https://www.calculatedriskblog.com/>)  
Census Bureau Business Indicators (<https://www.census.gov/economic-indicators/>)  
Congressional Budget Office (<https://www.cbo.gov/>)  
Department of Labor (<https://www.dol.gov/>)  
Econoday (<https://us.econoday.com/byweek.asp?cust=us>)  
Economics One by John Taylor (<https://economicsone.com/>)  
Fred Economic Data (<https://fred.stlouisfed.org/>)  
Liberty Street Blog at the NY Fed (<https://libertystreeteconomics.newyorkfed.org/>)  
National Bureau of Economic Research (<https://nber.org/>)

## Tentative Schedule of Classes

### Sept 1, 3: Introduction to Some Themes of the Course

- current (and expected future) economic conditions drive monetary policy
- how does the current recession compare with past recessions?
- understanding past, current, and future monetary policy options

Selected Readings:

August 2020 Jackson Hole speeches

Minutes from the July 28-29, 2020 FOMC meeting

<https://www.federalreserve.gov/monetarypolicy/fomcminutes20200729.htm>

Economic Impact of Covid-19 with Matthias Doepke and Martin Eichenbaum, Aug 5, 2020

<https://www.youtube.com/watch?v=OC2gt7PFt4&feature=youtu.be&t=1>

Sergio Correia, Stephan Luck, and Emil Verner, “Fight the Pandemic, Save the Economy: Lessons from the 1918 Flu,” Federal Reserve Bank of New York *Liberty Street Economics*, March 27, 2020, <https://libtystreeteconomics.newyorkfed.org/2020/03/fight-the-pandemic-save-the-economy-lessons-from-the-1918-flu.html>.

John Williams, “Living Life Near the ZLB (Zero Lower Bound)”

<https://www.newyorkfed.org/newsevents/speeches/2019/wil190718>

Michael Ng and David Wessel, “The neutral rate of interest”

<https://www.brookings.edu/blog/up-front/2018/10/22/the-hutchins-center-explains-the-neutral-rate-of-interest/>

**NO CLASS TUESDAY SEPT 8<sup>TH</sup> (Rutgers will follow a Monday schedule)**

### Sept 10, 15, 17: Business Cycles, GDP, and Related Data

- getting up to date and historical data on the economy
- high frequency data in a time of crisis

Using FRED to access macro data: <https://fred.stlouisfed.org>

NBER business cycle homepage: <http://www.nber.org/cycles/main.html>

BEA home page for GDP: <http://www.bea.gov/index.htm>

CBO Potential GDP and the Natural rate of unemployment: [www.cbo.gov](http://www.cbo.gov)

BLS on productivity growth: [www.bls.gov/bls/productivity.htm](http://www.bls.gov/bls/productivity.htm)

FOMC: <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

Daniel Lewis, Karel Mertens, and James Stock, “Tracking the COVID-19 Economy with the Weekly Economic Index (WEI),” Federal Reserve Bank of New York *Liberty Street*

*Economics*, August 4, 2020,

<https://libertystreeteconomics.newyorkfed.org/2020/08/tracking-the-covid-19-economy-with-the-weekly-economic-index-wei.html>

### **Sept 22, 24: Labor Market Conditions**

*--why the labor market may be our best barometer of current economic conditions*

*--monitoring monthly and weekly data on the labor market*

*--special challenges during time of pandemic*

BLS Monthly Employment Situation Report (Household and Establishment survey);  
Job Openings and Labor Turnover (JOLTS)

Department of Labor for New and Continuing Unemployment Claims

US Census Bureau, Household Pulse Survey <https://www.census.gov/programs-surveys/household-pulse-survey/data.html>

BLS blog post from June 29, 2020: Update on the Misclassification that Affected the Unemployment Rate <https://blogs.bls.gov/blog/>

### **Sept 29, Oct 1: Personal Income, Consumption Spending, Saving, and Household Wealth (assets and debts)**

*--some well-known theories of household consumption behavior*

*--getting quarterly, monthly and weekly data on income, spending, saving and wealth*

BEA for monthly Personal Income and Outlays report; GDP for quarterly data

Federal Reserve Financial Accounts for quarterly household wealth (balance sheet)

Census Bureau Household Pulse survey for weekly spending data

Other sources of high frequency spending data

### **Oct 6, 8: Residential Housing and Business Investment Spending**

*--What happens to investment spending in a recession? What has happened this time?  
What is secular stagnation and what are its causes?*

BEA for quarterly GDP data on investment spending in 5 categories

Census Bureau for monthly capital goods data

ISM and other monthly data sources

Larry Summers: <http://larrysummers.com/wp-content/uploads/2014/06/NABE-speech-Lawrence-H.-Summers1.pdf>

Bernanke: <https://www.brookings.edu/blog/ben-bernanke/2015/03/31/why-are-interest-rates-so-low-part-2-secular-stagnation/>

Summers: <https://www.brookings.edu/blog/ben-bernanke/2015/04/01/on-secular-stagnation-larry-summers-responds-to-ben-bernanke/>

### **Oct 13, 15: Government Spending, Net Exports and the Global Saving Glut**

*What happens to federal (and state and local) spending, taxes, exports and imports in a recession? What has happened in this recession? What is the global saving glut?*

Ben Bernanke's Global Saving(s) Glut: <https://www.brookings.edu/blog/ben-bernanke/2015/04/01/why-are-interest-rates-so-low-part-3-the-global-savings-glut/>

Also see part 1 of his Brookings Blog post: <https://www.brookings.edu/blog/ben-bernanke/2015/03/30/why-are-interest-rates-so-low/>

Brookings Hutchins Center Fiscal Impact Measure  
<https://www.brookings.edu/interactives/hutchins-center-fiscal-impact-measure/>

### **FIRST DRAFT OF YOUR RECESSION PAPER IS DUE FRIDAY OCT 16th**

### **Oct 20, 22: Prices and Inflation**

*--recent behavior of prices (aggregate supply and demand vs quantity theory)  
--Is the Fed's inflation target too high or too low? Price level targeting.  
--what has happened to the Phillips Curve?*

Inflation data: CPI from BLS, PCE from BEA's Personal Income and Outlays monthly report.

David Wessel, "Alternatives to the Fed's 2% Inflation Target" Brookings, June 7, 2018  
<https://www.brookings.edu/research/alternatives-to-the-feds-2-percent-inflation-target/>

Janet Yellen, "Inflation Dynamics and Monetary Policy" Sept 24, 2015.  
(<https://www.federalreserve.gov/newsevents/speech/yellen20150924a.htm>)

Janet Yellen, "Inflation, Uncertainty and Monetary Policy" Sept 26, 2017.  
<https://www.federalreserve.gov/newsevents/speech/yellen20170926a.htm>

Jerome Powell, "Monetary Policy and Risk Management at a Time of Low Inflation and Low Unemployment" Oct 2, 2018.  
<https://www.federalreserve.gov/newsevents/speech/powell20181002a.htm>

## **Oct 27, 29: Fiscal Responses to the Great Recession**

*What was the fiscal policy response to the last recession? Tarp, ARRA Stimulus, Dodd-Frank, Deficit reduction in 2012*

Readings by Alan Blinder (*After the Music Stopped*, 2012) and some of his papers with Mark Zandi ("[The Financial Crisis: Lesson for the Next One](#)," Center on Budget and Policy Priorities, October 2015).

## **Nov 3, 5: Fiscal Policy Responses to the 2020 Recession**

*What Congress did in 2020 to fight the recession and aid recovery.*

Brookings on Fiscal Policy: <https://www.brookings.edu/topic/federal-fiscal-policy/>

## **Nov 10, 12: Monetary Policy Responses to the Great Recession**

*Actions of the Bernanke Fed: Emergency Lending, Cut rates to Zero, QE, forward guidance, Section 13 (3) programs*

Alan Blinder, *After the Music Stopped*

Bernanke: Lectures 3 & 4 from his 2012 lectures at George Washington Univ: <http://www.federalreserve.gov/newsevents/lectures/about.htm>

## **Nov 17, 19, 24: Monetary Policy Responses to the 2020 Recession**

*What has the Fed done to fight the recession and help recovery?*

Brookings on Monetary: <https://www.brookings.edu/topic/monetary-policy/>

## **Dec 1,3, 8 and 10: Other Topics in Monetary Policy**

*Possible topics: MMT, New monetary tools (yield curve targeting), conduct of policy*

David Skidmore, ‘The Fed’s review of its monetary policy strategy—and what Brookings’ scholars have to say about it,’ August 12, 2020 (<https://www.brookings.edu/blog/up-front/2020/08/12/the-feds-review-of-its-monetary-policy-strategy-and-what-brookings-scholars-have-to-say-about-it/>)

Matthew Higgins and Thomas Klitgaard, “Japan’s Experience with Yield Curve Control,” Federal Reserve Bank of New York *Liberty Street Economics*, June 22, 2020, <https://libertystreeteconomics.newyorkfed.org/2020/06/japans-experience-with-yield-curve-control.html>.

Jane E. Ihrig, Ellen E. Meade, and Gretchen C. Weinbach, "Rewriting Monetary Policy 101: What's the Fed's Preferred Post-Crisis Approach to Raising Interest Rates?" *Journal of Economic Perspectives*, Fall 2015.

Kenneth Rogoff, "Dealing with Monetary Paralysis at the Zero Bound" *Journal of Economic Perspectives*, Summer 2017.