

Macroeconomics at the Zero Lower Bound: Readings

All references to the textbook *Macroeconomics: Imperfections, Institutions & Policies* by Wendy Carlin and David Soskice (Oxford University Press, 2006) are denoted CS. This reading list covers the final two lectures by Chris Bowdler.

Lectures 6 and 7: Background to the Great Recession

The lectures start with a brief account of the Great Recession and events leading up to it. The simple treatment in the lectures is probably sufficient background for the essay topics, but if you wish to read more in this area the following references will be useful.

1. Faruquee, H. A. Scott and N. Tamirisa (2009) In search of a smoking gun: macroeconomic policies and the crisis, *Oxford Review of Economic Policy* (2009) 25(4), pages 553-580.

Narratives on the Great Recession often refer to imbalances that were allowed to develop during the so called Great Moderation of economic activity that preceded it in the years 1984-2007. The following speech by Ben Bernanke provides background on the Great Moderation.

2. Bernanke, B. (2004). The Great Moderation. Speech available at:

<http://www.federalreserve.gov/Boarddocs/Speeches/2004/20040220/default.htm>

Lectures 6 and 7: The ZLB, Macro Stability and Monetary Policy Responses

1. CS, chapter 5, section 5.

2. Krugman, P. (1998). It's Baaack: Japan's Slump and the Return of the Liquidity Trap. *Brookings Papers on Economic Activity*, pages 137-205. Note that this article splits into two main parts. The first is the more relevant and covers the ZLB problem. The second part discusses details of the Japanese crash of the 1990s and whilst this is interesting it is not needed for the essay titles.

3. Eggertsson, G. (2013) liquidity trap *The New Palgrave Dictionary of Economics*. Second Edition. Eds. Steven N. Durlauf and Lawrence E. Blume. Online at

http://www.econ.brown.edu/fac/gauti_eggertsson/papers/EggertssonPalgrave.pdf

4. Svensson, L. (2003). Escaping from a Liquidity Trap and Deflation: The Foolproof Way and Others, *Journal of Economic Perspectives*, 17(4), pages 145-166.

The following two readings address the question of whether central banks should publish targets for future interest rates, extending the discussion of this issue in the lectures.

5. Rudebusch, G. and J. Williams (2006). ‘Revealing the Secrets of the Temple: The Value of Publishing Interest Rate Projections’ Federal Reserve Bank of San Francisco working paper 2006-31. Mainly focus on sections 1 and 2. An overview of the model developed in section 3 and 4 is all that you need.

6. Mishkin, F. (2004). Can Central Bank Transparency go Too Far? NBER working paper 10829.

Lectures 6 and 7: Price Path Targets

1. Gaspar, Smets and Vespini (2007) Is time Ripe for Price Path Level Stability? European Central Bank working paper 818 (available online).

2. Ambler, S. (2009) Price Level Targeting and Stabilisation Policy: A Survey *Journal of Economic Surveys*.

Lectures 6 and 7: Unconventional Monetary Policy at the Zero Lower Bound

1. Joyce, M, M. Tong and R. Woods (2011). The United Kingdom’s quantitative easing policy: design, operation and impact. *Bank of England Quarterly Bulletin*, issue 3. Available online.

2. A new book by Carlin and Soskice was released at the end of 2014 and is entitled *Macroeconomics: Institutions, Instability and the Financial System*. The following parts of this book provide material relevant to the topics discussed in the lectures: chapter 5.3 (distinction between commercial interest rates and risk free rates), chapter 13.5 (transmission channels for quantitative easing). Additionally, chapter 7 provides background on the build up to the financial crisis and the Great Recession.