

Macroeconomics Essay Topics

The purpose of this optional essay is to use the macroeconomics knowledge you have gained to analyze a public policy proposal. You should *not* do any library research for this essay. You should merely think through the issues on your own, and apply the principles we have discussed in the class. Choose one of the following five topics and write an essay of approximately 1,000 words. The essay is due on Tuesday 7 May. If you have questions about writing an essay, come see me and take advantage of the Writing Center.

1. Commodity Money

The newly elected President has vowed to abolish the current system of fiat money and return the United States economy to a system of commodity money. Discuss the pros and cons of this proposal. If such a system were to be adopted, how might it work in practice? How should the commodity (or group of commodities) be chosen?

2. Nominal GDP Targeting

The newly appointed chair of the Federal Reserve wants the Fed to adopt a nominal GDP target. According to the proposal, the Fed would announce a target path for nominal GDP. When nominal GDP falls below target, the Fed would raise growth in the money supply. When nominal GDP rises above target, the Fed would slow growth in the money supply. Discuss the pros and cons of this proposal.

3. Policies to Raise Saving

The newly elected chair of the Senate Finance Committee believes that low private saving is a paramount problem for the U.S. economy. She turns to you, her chief economist, to design some policies to raise private savings. Suggest several policy options, and discuss the pros and cons of each.

4. Fiscal Stabilization in Massachusetts

The newly elected governor of Massachusetts has proposed repealing the state's balanced budget requirement so that the state could use fiscal policy to combat the state-wide business cycle. When the state is in a recession, the governor would cut taxes and run a budget deficit. When the state is booming, the governor would raise taxes and run a budget surplus. Discuss the pros and cons of this proposal. Compare the use of countercyclical fiscal policy at the state and federal levels.

5. California Money

The newly elected governor of California has proposed instituting a separate monetary system for the state of California (with the portraits of famous surfers replacing those of past presidents). The governor claims that this plan will give the state another policy instrument - the California money supply - that could be used to help ensure economic prosperity in California. Discuss the pros and cons of this proposal.