





## M1 EPP, Winter 2013 - **Economic Policy**

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### Textbook

-  A. Bénassy-Quéré, B. Cœuré, P. Jacquet, J. Pisani-Ferry, *Economic Policy: Theory and Practice*, Oxford University Press, 2010.
-  A. Bénassy-Quéré, B. Cœuré, P. Jacquet, J. Pisani-Ferry, *Politique économique*, De Boeck, nouvelle édition entièrement revue, 2012.

### Reading List

#### 1. Concepts and limits of economic policy

- Vox debate: [What's the use of economics?](#)
- T. Persson and G. Tabellini (2000), *Political Economics: Explaining Economic Policy*, MIT Press.
- R. Kambur (2001), [Economic Policy, Distribution and Poverty: The Nature of Disagreements](#), World Development, No 29, pp 1083-1094.
- J. Williamson, [A Short History of the Washington Consensus](#), mimeo, 2004.

Economic thinking after the crisis:

- A. Haldane (2012), "[What have the economists ever done for us?](#)", October.
- P. Krugman, [How Did Economists Get It So Wrong?](#), September 2009; and [Economics in the Crisis](#), March 2012.
- J. Kay, "[The Map is Not the Territory: An Essay on the State of Economics](#)", October 2011.
- M. Woodford, "[What's Wrong with Economic Models?](#)", Institute for New Economic Thinking, 2012.
- B. Cœuré, [Which models do we need in times of crisis?](#), October 2012.
- Blog review: J. Cohen-Setton, [The Lucas critique and New Keynesian Models](#), Bruegel, July 2012.

#### 2. Fiscal policy

Debt sustainability:

- C. Reinhart and K. Rogoff (2009), *This Time is Different*, Princeton University Press; C. Reinhart and B. Sbrancia (2011), [The Liquidation of Government Debt](#), NBER Working Paper; C. Reinhart and K. Rogoff (2011), [A Decade of Debt](#), NBER Working Paper.
- O. Blanchard (1990), [Suggestions for a new set of fiscal indicators](#), OECD Working Paper, 79.
- J. Ostry *et al.* (2010), [Fiscal Space](#), *IMF Staff Position Note* SPN/10/11, September.

## Fiscal rules and the European “Fiscal Union”

- H. Van Rompuy (2012), [Towards a Genuine Economic and Monetary Union](#), 5 December.
- ECB (2012), “[Monetary and Fiscal Policy Interactions in a Monetary Union](#)”, Monthly Bulletin, July.
- Ch. Wyplosz (2012), [Fiscal Rules: Theoretical Issues and Historical Experiences](#), NBER, February.
- L. Calmfors and S. Wren-Lewis (2011) “What should Fiscal Councils do?”, CESifo Working Paper Series, No. 3382.
- C. Cottarelli, [European Fiscal Union: A Vision for the Long Run](#), IMF, November 2012.
- B. Marzinotto, A. Sapir and G. Wolff, “[What Kind of Fiscal Union?](#)”, Bruegel Policy Brief, November 2011; R. Henning and M. Kessler (2012), “[Fiscal Federalism: US History for Architects of Europe’s Fiscal Union](#)”, Bruegel Essays and Lectures.
- K. Bernoth, A. Hughes-Hallett, and J. Lewis (2008), “[Do fiscal policymakers know what they are doing? A modern view of the merits and demerits of fiscal activism](#)”, April.

## The debate on fiscal multipliers

- Vox debate: [Has austerity gone too far?](#)
- O. Blanchard and D. Leigh, [Growth Forecast Errors and Fiscal Multipliers](#), IMF Working Paper, 2013/1.
- A. Auerbach and Y. Gorodnichenko (2012), [Measuring the Output Responses to Fiscal Policy](#), *American Economic Journal: Economic Policy*, 4(2), pp. 1-27.
- G. Coenen *et al.* (2012), “[Effect of Fiscal Stimulus in Structural Models](#)”, *American Economic Journal: Macroeconomics*, 4(1), pp. 22-68.
- L. Christiano, M. Eichenbaum and S. Rebelo (2011): “[When is the government spending multiplier large?](#)”, *Journal of Political Economy*, 119(1), pp 78–121.
- M. Woodford (2010), [Simple Analytics of the Government Expenditure Multiplier](#), *American Economic Journal: Macroeconomics*, 3(1), pp. 1–35.
- A. Alesina, C. Favero and F. Giavazzi (2012), [The Output Effect of Fiscal Consolidations](#), NBER Working Paper, No. 18336.
- IMF (2010), [Will It Hurt? Macroeconomic Effects of Fiscal Consolidation](#), Chapitre 3 du World Economic Outlook, Octobre

Regular publications: European Commission, *Public Finances in EMU and Sustainability Report*; IMF *Fiscal Monitor*.

## **3. Monetary policy**

### Monetary policy strategy and the crisis

- B. Bernanke (2012), [Monetary Policy since the Onset of the Crisis](#), Jackson Hole Conference, 31 August.
- Ch. Bean *et al.* (2010), [Monetary Policy after the Fall](#), Jackson Hole Conference, September (voir aussi les commentaires d’[Alan Blinder](#) et [John Taylor](#)).
- S. Fahr *et al.* (2011), « Lessons for Monetary Policy Strategies from the Recent Past”, and F. Mishkin (2011), “Monetary Policy Strategy: Lessons from the Crisis”, in [Approaches to](#)

[Monetary Policy Revisited – Lessons from the Crisis](#), edited by M. Jarocinski, F. Smets and C. Thimann, ECB, 2011.

- J. Taylor (2010), [Does the Crisis Call for a New Paradigm in Monetary Policy?](#), 23 June.
- B. Coeuré (2011), [“Central banking, insurance and incentives”](#), 6 December.

Non-conventional measures in the US, UK and euro area

- C. Borio and P. Disyatat (2009), [Unconventional Monetary Policies: An Appraisal](#), BIS Working Paper No 292, November
- J. Gagnon *et al.* (2010), [Large Scale Asset Purchases by the Federal Reserve: Did They Work?](#), FRBNY Staff Report No. 441.
- J. Williams (2011), [Unconventional monetary policy: lessons from the past three years](#), FRBSF Economic Letter, October.
- M. Joyce, M. Tong, and R. Woods (2011), [The United Kingdom's Quantitative Easing Policy: Design, Operation, and Impact](#), *Bank of England Quarterly Bulletin*, September, pp. 200-12.
- B. Coeuré, [“Challenges to the single monetary policy and the ECB's response”](#), 20 September.

Monetary policy at the zero bound

- B. Bernanke (2010), [Monetary Policy Objectives and Tools in a Low Inflation Environment](#), 15 October.
- B. Coeuré (2012), [“Central banks and the challenges of the zero lower bound”](#), 19 February.

#### **4. Financial stability**

Financial regulation and supervision

- Vox debate: [Why do we need a financial sector?](#)
- A. Haldane, [“The dog and the frisbee”](#), Bank of England, August.
- J. Vickers (2012), [“Some Economics of Banking Reform”](#), University of Oxford Discussion Paper.
- M. Brunnermeier *et al.* (2009), [The fundamental principles of financial regulation](#), Geneva Report on the World Economy, No. 11.
- L. Laeven and F. Valencia, F (2010), [“Resolution of Banking Crises: The Good, the Bad and the Ugly”](#), IMF Working Paper, 10/146.

The macro-prudential toolkit

- V. Constâncio (2010), [Macroprudential Supervision in Europe](#), 27 September.
- C. Borio (2012), [“The financial cycle and macroeconomics: What have we learnt?”](#), BIS, December.
- J. Caruana (2010): “Macroprudential policy: what we have learned and where we are going”, 17 June.
- R. Berner, A. Kashyap and Ch. Goodhart (2011), [“The Macroprudential Toolkit,”](#) *IMF Economic Review*, 59 (2), pp. 145-161.

## Interactions between financial stability and monetary policy

- M. Brunnermeier and Y. Sannikov (2012), [Redistributive monetary policy](#).
- T. Adrian and H. Shin (2010), "[Financial Intermediaries and Monetary Economics](#)", FRBNY Staff Report, May.
- C. Borio and H. Zhu (2011): "[Capital regulation, risk-taking and monetary policy: a missing link in the transmission mechanism?](#)", *Journal of Financial Stability*, December.
- D. Diamond and R. Rajan (2012), "Illiquid Banks, Financial Stability, and Interest Rate Policy", *Journal of Political Economy*, 120(3).
- E. Farhi and J. Tirole (2009): "[Leverage and the Central Banker's Put](#)", *American Economic Review*, 99(2), pp 589–93.

Regular publications: IMF bi-annual *Global Financial Stability Report*, ECB yearly *Report on Financial Integration in Europe*; many central banks issue a *Financial Stability Review*.

## **6. Tax policy**

- The [Mirrlees Review](#) of taxation in the UK (2010)
- Th. Piketty, C. Landais and E. Saez (2010), *Pour une révolution fiscale*, Seuil.
- J. Le Cacheux and Ch. Saint-Etienne (2005), [Croissance équitable et concurrence fiscale](#), rapport CAE.
- J. Furman, L. Summers and J. Bordoff (2007), [Achieving Progressive taxation in an Increasingly Global Economy](#), Hamilton Project, Brookings Institution.

### Rapports particuliers du Conseil des prélèvements obligatoires (2011) :

- D. Vasseur, « Les effets redistributifs des systèmes fiscal-sociaux : éléments de comparaison internationale » ;
- M. Chancholle and G. Lalanne, « Photographie du système socio-fiscal et de sa progressivité » ;
- A. Eidelman, F. Langumier and A. Vicard, « Progressivité des prélèvements obligatoires acquittés par les ménages : évolution entre 1990 et 2009 »

## **7. Labor market policy**

- [Cette, G. and Barthélémy J. \(2010\)](#), « Refondation du droit social : concilier protection des travailleurs et efficacité économique », *Rapport du Conseil d'Analyse Economique* n°88, février.
- [Laroque G. and B. Salanié \(2000\)](#), "Une décomposition du non-emploi en France", *Économie et statistique* 331, pp. 47-66.
- [Blanchard O. and Giavazzi F. \(2003\)](#), "Macroeconomic effects of regulation and deregulation in goods and labor markets", *The Quarterly Journal of Economics* 118(3), pp. 879-907.
- Pissarides C. (1979), "Job matching with state employment agencies and random search", *Economic Journal* 89(356), pp. 499-559.
- [Card D. and Krueger A. \(1994\)](#), "Minimum Wages and Employment : A Case Study of the Fastfood Industry in New Jersey and Pennsylvania", *American Economic Review* 84(4), pp. 772-93.

- P. Cahuc and A. Zylberberg, *Labor Economics*, MIT Press, 2004.