

Discussion questions:

- What is the key distinction Mankiw makes between scientists and engineers?
- Have you taken courses that emphasize the science or engineering aspects of economics?
- Which do you think is more important? Why?
- What areas of convergence does Woodford identify?
- What areas of disagreement are there between mankiw and Woodford?

Read *Time*, Dec. 31, 1965, “The Economy: We are all Keynesians Now.”
Two equation system:

\[
\pi_t - \pi^T_t = -\left(\frac{\gamma a}{1 - \delta}\right) (u_t - u^*_t) + \left(\frac{1}{1 - \delta}\right) e_t,
\]

\[
u_t - u^*_t = \left(\frac{1}{a}\right) \left(\frac{\kappa \phi}{1 - \phi \eta}\right) (\pi_t - \pi^T_t) - \left(\frac{1}{a}\right) \left(\frac{\kappa}{1 - \phi \eta}\right) (r^*_t - r^*)
\]

Or

\[
\pi_t - \pi^T_t = -a_1 (u_t - u^*_t) + a_2 e_t,
\]

\[
u_t - u^*_t = b_1 (\pi_t - \pi^T_t) - b_2 (r^*_t - r^*)
\]
U.S. output gaps, unemployment and PCE inflation, 1960-2015

- Output gap (CBO)
- Output gap (HP)
- Unemployment rate
- PCE inflation

CE Walsh (UCSC)
Macro topics
Fall 2015
U.S. output gap, unemployment and inflation, 1960-1980

Macro developments: 1960Q1-1980Q4

- Output gap (CBO)
- Unemployment rate - 1960-2015 mean
- PCE inflation

Percentage

Some economic history: 1960 economics

- Humphrey-Hawkins and the Kennedy tax cut.
- Goal for unemployment
- Phillips Curve as presenting a tradeoff.
- Shifting Phillips curve (PhillipsCurve.m).
Some economic history: 1960 economics

- Friedman’s Presidential Address.
- Reconciling short-run effects of money with long-run neutrality.