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Til Studienævnet, June 7, 2016
her.

Note of dissent concerning "Suggested contents of macroeconomics I, II and III on the Bachelor's programme", dated June, 2016.

After discussion of the proposal, incl. its forerunners, within the macro group since Wednesday June 1 (the first time I was taken in), I have concluded that I cannot take on joint responsibility for the proposal.

As a whole, the proposed macro sequence, I+II+III, gives, in my opinion, too much weight to theory with flexible prices and wages rather than theory with sticky prices and wages, that is, theory where the general price level is treated as a state variable (as for instance in Blanchard's work). There is, consequently, too much weight on theory where aggregate demand is never a problem versus theory where aggregate demand is critical.

In addition, given the limited extent of a one-semester course and given it is mandatory, I find that Macro III attaches too much weight to one specific methodology: Dynamic Stochastic General Equilibrium (DSGE) modeling and calibration. One problem with this is that the DSGE methodology is technically quite heavy without leading to many new insights. Another problem is that the methodology is in practice closely related to the idea of a representative household, which for many issues is not an appropriate starting point (think of issues of private debt as well as public debt). Overall, I find that a treatment of DSGE methodology of the proposed size does not belong to a mandatory macro sequence, but rather to one of the voluntary specialized macro courses in the Master's program.

On the other hand, the proposal attaches too *little* weight to real-world issues and to theory dealing with these in a realistic, simple, and non-partisan way:
1. Unemployment in a macroeconomic perspective.
2. Why does the economy fall to pieces after a financial crisis? (for instance, Mian and Sufi, *Econometrica*, Nov. 2014).
3. Why were/are the macroeconomic repercussions of the financial crisis so huge and so durable?
4. Integration of financial intermediation into the IS/MP model (for instance Woodford in *Journal of Economic Perspectives*, 2010, no. 4).
5. The Phillips curve today (for instance Blanchard in *American Economic Review*, May 2016).
6. More stuff on empirically relevant approaches to the explanation of aggregate investment and aggregate consumption, including theory and empirics on precautionary saving (Carroll, Kimball).
7. The liquidity trap and its linkage to nominal price stickiness.
8. Fiscal and monetary policy issues in a low inflation economy, including Quantitative Easing and the Austerity Controversy.
