POLS/ECON 409 · *Stimulus, Debt, and Austerity in the U.S.*

fallacy of composition	natural rate	hard Keynesianism
paradox of thrift	crowding out	nominal GDP targeting
sequestration	expansionary austerity	Stability and Growth Pact
confidence	Basel standards	

1. Did Obama's stimulus package help the economy? How might it have been improved in scope and content? Is the debate about the 2009 stimulus merely a matter of hindsight, or should we have known better at the time?

2. Did the weakness of initial stimulus measures in the US limit or undermine later efforts at fiscal stimulus? What role did forecasting and modeling play? What role did cognitive limits play?

3. Why wasn't the Great Recession as bad as the Great Depression, in real economic terms?

4. Why did the US shift from stimulus to austerity by 2011? What role did Obama and his advisors play? The Republican Congress and Tea Party? How plausible were the arguments for "confidence-restoring" budget cuts? In the fights over deficit reduction, the sequester, and quantitative easing, did political actors miscalculate or did they simply get what they wanted? What were the consequences of austerity over 2011–2013?

5. What are the claims of austerity advocates? How have these claims been undermined by events and/or critics?

6. What are some of the costs or dangers of accumulating government debt? What are some of the "benefits" or mitigating factors?

7. In the long run, what is a desirable level of government debt? Does it need to be constant over time?

8. Quiggin suggests that instead of just targeting inflation, central banks (and governments) should also target nominal GDP. What do you think of this suggestion? What effect has the focus on inflation in the post-1970s period had on policymakers' approach to demand manangement?

9. Last time, we discussed Calomiris and Haber's theories about the behavior of "populist" governments in resolving banking tradeoffs. How did the populist response to the Great Recession actually proceed?

10. This week's readings are uniform in blaming premature austerity for extending the Great Recession, with different points of emphasis. What are the most important lessons of this episode? Do you disagree with any conclusions drawn?

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