

A Chat With Professor John Taylor

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In an interview with Stanford Professor John Taylor, we discussed both the new Economics One course at Stanford and Dr. Janet Yellen's appointment to the Federal Reserve. This article summarizes the interview and provides additional commentary.

I. Yellen to Fed

After Ben Bernanke's term as Chairman of the Federal Reserve Board ended in 2014, we must ask what is next for the Federal Reserve? Inevitably, new leadership brings new policies and Janet Yellen's tenure will be no exception. Comparative Advantage sat down with Professor John Taylor in December to hear his thoughts on Dr. Yellen's appointment.

The Senate Banking Committee easily approved President Obama's nominee for the next chair, and Professor Taylor predicts she's "very likely" to be confirmed and "will get more votes than Ben Bernanke did in his second confirmation." Professor Taylor has been somewhat critical of the central bank leadership over the past several years but has high hopes for Dr. Yellen, a former Berkeley professor.

Like most news outlets and senators on the Banking Committee, Taylor has no questions about her qualifications. "She's recognized," he says, "the importance of monetary policy being predictable and systematic and so she's worked on that a lot." Janet Yellen has extensive experience from her term on the Board of Governors of the Federal Reserve in the 1990s, as chair of the Council of Economic Advisors, and as President of the San Francisco Federal Reserve.

Perhaps what appeals to

Dr. Taylor most about Dr. Yellen's appointment is her rules-based approach. After all, Dr. Taylor is known for his "Taylor Rule," a prescription for setting central banks' interest rates. His biggest disagreement with Dr. Yellen, in his words, is actually that "right now she's says we're not ready [to follow a rule], right now, we're still in a very unusual situation." Taylor, though, is optimistic; he says "she seems to say we'll get back to that, so... that's a positive."

Apparently, even Berkeley economists can inspire optimism in Professor Taylor.

II. Economics (in) One

Older Stanford alumni may, for the first time in six years, recognize the introductory Economics course. As of this year, Economics One is again a one-quarter class, instead of a two-quarter introductory sequence. The thirty-eight lectures in the class encompass what used to be Economics 1A and 1B.

The "new" Economics One follows an old model at Stanford, but reflects the most recent changes in the field. Dr. John B. Taylor, who taught fall quarter's course, told Comparative Advantage that the combined class reflects better integration between microeconomics and macroeconomics in the field itself. At the graduate level, Stanford hardly distinguishes anymore and, as Taylor

says, "so much of macro is just applied micro, at least in practice."

Dr. Taylor particularly cites the most recent financial crisis as one cause for more overlap between micro- and macroeconomics. He describes how "so many things—like bailing out financial firms, regulation of financial firms, the housing market—tend to be more micro topics but they're so much part of the crisis. And the impact of monetary policy worked through the housing market more than in the past." Given today's current economic conditions and the recent crisis, the transition back to one quarter was almost inevitable.

This change has other benefits as well. A one-quarter class allows non-majors to encounter both micro- and macroeconomics, and shortens the core sequence for the Economics major at Stanford. Maya Odei '16, a potential engineering major, appreciates the exposure to a variety of topics and is "definitely" grateful for the one-quarter structure.

Of course, Economics One integrates micro and macro topics. But it also tries to integrate new technology of education—this is not the Economics One of even six or seven years ago. Dr. Taylor points to one lesson, with "a video people watch and then breakout sessions," as "kind of a combination we're doing because 85

technology enables us to do it more easily but then also fits into this one term course better.”

When Odei '16 compares her experience this year to friends who took the course last year, she says she has more work: four chapters of reading per week versus two. But she doesn't feel like she's missing information, or depth in a particular subject. Dr. Taylor has been “very happy with the performance” of students and thinks the course is going “quite well.”

Has Economics One changed preparation for later classes in the sequence? Profes-

sor Taylor doesn't think so. “You'll have to wait until we teach it,” he says about student performance in Economics 50, but “there's plenty of time to go over the material that constitutes micro and macro, and so I think it should be fine.”

The field of economics has gone through several changes in the last few years. At a school like Stanford which prides itself on being at the forefront of economic research, it is only fitting that its economics curriculum reflects this wider shift in the field.