



From monetary policy to global exchange rates and trade policies to taxes and public budgets, MIT economists provide unique perspectives on the economies of nations and regions that guide policy makers worldwide.

Globalization and Macroeconomics

MIT economists have shaped national and international policies, and impacted countless lives. This is especially true in the field of macroeconomics, which studies economies on the largest scale to understand how industries, markets, and businesses are affected by economic, fiscal, and monetary policies. MIT's remarkable place in the field was built by linked generations of faculty including **Paul Samuelson, Robert Solow, Olivier Blanchard, and Stanley Fischer**, who strived to cover the full spectrum from high-end theory to nuts and bold practice. They and their successors trained a remarkable group that includes many Nobel prize winners, and many central bankers including **Ben Bernanke** and **Mario Draghi**.

Today, MIT economists continue a long tradition of engagement—from the US Senate to the National Bureau of Economic Research to the World Bank—studying and proposing solutions to the world's economic challenges from a nonideological perspective.

MIT macroeconomists investigated the economic fallout from the Covid-19 pandemic and used lessons learned in the 2008 financial crisis to avoid a similar downward spiral. Studies of trade and development are exposing the unforeseen effects of global trade agreements. And research into the impact of technological innovation is helping chart paths to better jobs for middle- and lower-wage workers so prosperity can be more widely shared.

Sustaining and building upon MIT's history as a pioneering economic research institution requires strengthening the Economics Department's financial base. Macroeconomics is increasingly a big-data field and startup funds are critical for major new research projects to move forward.

SOME OF THE QUESTIONS WE'RE ENGAGING

In responding to Covid-19's economic shock, how can the spiraling effects seen in the 2008 financial crisis be avoided?

While the Federal Reserve's massive policy response to the Covid-19 shock was successful in reversing the financial meltdown, it did not prevent a dramatic collapse in the real economy. **Ricardo Caballero**, Ford International Professor of Economics at MIT, and **Alp Simsek** maintain the patterns observed are consistent with optimal monetary policy, which they say may be credited with a rapid rise in asset prices.

Iván Werning, professor of economics at MIT, and collaborators Veronica Guerrieri, Guido Lorenzoni and Ludwig Straub have developed a theory of "Keynesian supply shocks" that can create demand shortages. The authors make the case that a Covid-19 pandemic that starts as a supply shock can become primarily a demand shock, meaning expansionary fiscal and monetary policy are beneficial.

What are the effects of global trade agreements on day-to-day life in developing nations?

MIT economist **David Atkin's** focused studies of trade and development have helped experts better understand trade's effects. His research has uncovered, for example, that in Mexico, more 9th graders drop out of school when a local manufacturing plant opens to export goods.

How is the impact of China's rise as a manufacturing power being felt in the American heartland?

David Autor, Ford Professor and associate head of economics at MIT, has written with collaborators David Dorn and Gordon Hanson on the "China Shock," an epochal shift in patterns of world trade that has resulted from China's emergence as a great economic power. In the United States, at least 1 million jobs have been lost, reshaping political divisions, causing a plunge in the marriage rate, and increasing the number of children born into poverty.

HOW YOU CAN ADVANCE OUR WORK

Your support of our efforts—the fundamental research we conduct and the evidence-based solutions we help practitioners develop—will have meaningful, global impact. To discuss how you can help advance our work, please contact Assistant Dean for Development, Anne Marie Michel, ammichel@mit.edu, 617-253-4075.



"Having good economists to interpret data and present policy alternatives has a beneficial effect on policy-making—and good economic policy makes a very big difference to the welfare of the average person."

Ben Bernanke,
PhD '79, Chair,
U.S. Federal Reserve,
2006-14