This is a course in Macroeconomic Theory. The prerequisites are introductory micro- and macroeconomics (Econ 101 and 102). The objective of this course is to develop a set of tools useful for understanding economic growth, recessions, inflation, interest rates, and other macroeconomic phenomena.


Grades: Grades will be assigned as follows:

- **Final exam**: Tuesday, December 16, 7:00 pm. 35% of grade.
- **Midterm I**: Thursday, October 2 in class. 20% of grade.
- **Midterm II**: Thursday, November 13 in class. 20% of grade.
- **Take Home Assignments**: 15% of grade.
- **Class participation**: Includes news presentation and engagement in class. 10% of grade.

Your ability to take the scheduled midterm and final examinations at the times posted on this syllabus is a requirement for enrollment in this course. If you anticipate a legitimate scheduling conflict, you must see me within the first two weeks of class to have the conflict resolved. Otherwise, no exceptions will be granted. Late take home assignments will not be accepted and will receive a grade of zero. You may not work together on the take home assignments unless explicitly instructed to do so on the assignment. All graded work is covered by the Honor Code.

Problem Sets: I will distribute problem sets and provide suggested answers to many of these problems (with a lag). These homeworks are ungraded, but it is extremely important that you keep up with them.

Take Home Assignments: I will assign 3-4 graded takehome assignments during the semester.

Excel: On the take home assignments and on some of the problem sets, you will be asked to use the spreadsheet program Excel to analyze historical data. Excel is available in the KJ computer labs, and the data files can be downloaded from my web page (see URL above). Our empirical research specialist in KJ205 is available to answer technical questions about Excel, as am I.

Presentations: Each student will be asked to give at least one short presentation during the semester on a current macroeconomic event or other issue of relevance to the class. See below for details. These presentations will count toward the participation part of your course grade.

Office Hours: I strongly encourage you to meet with me regularly to discuss the readings, lectures, and problem sets. If you can’t make my scheduled office hours, I am very happy to meet with you by appointment.

Speakers: I expect to arrange at least one talk by a visitor during the semester.

Course Overview: The course divides naturally into three sections. The first third of the course models the economy in the long run. Here, we consider the determinants of economic growth, inflation, and the composition of national output, abstracting away from short run business cycle fluctuations. The two central models that we will study in this section are a long run model of saving and investment and the Solow growth model.

The second third of the course looks at business cycle fluctuations and macroeconomic stabilization policy. Here, we study a simple model of national income determination in the short run (the IS-LM
model) and a simple model of inflation (dynamic AS) which will help us shed some light on events such as the Great Depression of the 1930s and the “Great Recession” of 2007-2009 as well as on the current state of the economy. We will also consider some alternative models and some debates about how monetary policy should be conducted.

The final third of the course takes a closer look at the microeconomic foundations of macroeconomics. We look in greater detail at consumption, saving, investment, the national debt, the trade balance, and monetary institutions.

Schedule of topics and readings: (Readings are from Mankiw except as otherwise noted)

1. Introduction:
   Aug 28, Sept 2: Introduction. (Ch 1; Federal Reserve Board, “Testimony of Chairman Janet L. Yellen, July 15, 2014”); National Income Accounting and Price Indices (Ch. 2; and Handout on Price Indexes)

2. The Economy in the Long Run:
   Sept 4: Long Run Equilibrium, Closed Economy (Ch 3, skim 3.2; Handout on Excel)
   Sept 9: Long Run Equilibrium, Open Economy (Ch 6, including appendix)
   Sept 11, 16: Money, Inflation, and Interest Rates (Ch 4,5; Handout on Money)
   Sept 18, 23: Growth (Ch 8,9, include appendix)
   MIDTERM EXAM: Thursday, October 2, in class.

3. The Economy in the Short Run:
   Oct 7: The Business Cycle and Stabilization Policy (Ch 10)
   Oct 9, 14: IS-LM (Ch 11)
   FALL BREAK
   Oct 21, 23: Using IS-LM (Ch 12)
   Oct 28, 30: Open Economy (Appendix to Ch. 13, and pp. 375–383).
   Nov 4, 6: Dynamic Aggregate Supply (Ch 15; Handout on Dynamic AS)
   Nov 11: Recent Economic Crises PBS Frontline: “Inside the Meltdown” (video))
   MIDTERM EXAM: Thursday November 13, in class.

4. More on Macroeconomic Policy:
   Nov 18, 20: Macroeconomic Policy and the “Great Recession” (Ch 18, 20; Brunnermeier, “Deciphering the Liquidity Crunch of 2007–08”)

5. More on the Microeconomic Foundations of Macroeconomics and Macroeconomic Policy:
   Dec 2: Consumption and Saving (Ch 16)
   Dec 4: Investment (Ch 17; Handout on Investment)
   Dec 9: Government Debt (Ch 19)

6. Conclusion
   Dec 11: Conclusion (Epilogue)
   FINAL EXAM (cumulative): Friday, December 16, 7:00 pm.
**News presentations:**

You will each give at least one brief presentation at the beginning of a class with another student. The topic should be a recent news item related to macroeconomics or some other information relevant to the course. You should divide up the presentation so that each of you speaks for a few minutes on the topic (please keep the total presentation time to no more than 5 minutes). After the presentation, you will have a few minutes to field questions from the rest of the class or raise your own questions.

You must email the rest of the class (using the email list in Blackboard) with a condensed description of your topic (a few paragraphs) and your source readings (URLs or full text) no later than 7:00 PM the evening before your presentation. In your email you can also raise a few questions for the class to think about prior to the presentation. All students in the class are expected to have read the materials that you have sent by class time.

You should use several types of sources for your information. For example, if you find an interesting topic in a news article from the New York Times, Financial Times, or Wall Street Journal, look for a statement from a relevant government agency or think tank that will answer questions that you had about the news coverage. You might also look for and present charts of supporting data or find a journal article or working paper that provides additional supporting information.

There are numerous economics blogs, data sources, paper repositories, and economic organizations that you can draw on – some of these are linked on my course web page. You might check out, for example, the weekly Economic Letter from the FRB of San Francisco, the cover articles in the Monthly Economic Trends publication from the FRB of St. Louis, or articles listed on the VOX EU web site or in the NBER working paper series. If you want to look at charts of recent data, try FRED (the Federal Reserve Board data charting site) or Economagic, or go to the agency that publishes the data that you are interested in (e.g., the Bureau of Labor Statistics for unemployment or the CPI).