Economics 285	Office: KJ 217
Macroeconomic Theory	Phone: x4472
Spring 2020	Web: people.hamilton.edu/christophre-georges
Chris Georges	Hours: M 7-8pm, T 11-12, W 10-12 & by apt.

This is a course in Macroeconomic Theory. The prerequisites are the 100 level introductory economics courses (Econ 101 and 102 or Econ 100 and Econ 166). 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.

Text: The text will be Mankiw, *Macroeconomics*, Tenth Edition.

Grades: Grades will be assigned as follows:

- **Final exam**: Thursday, May 14, 9:00 am. 30% of grade. (Econ multi-section course exam time)
- **Midterm I**: Tuesday, February 25, in class. 20% of grade.
- **Midterm II**: Thursday, April 16, in class. 20% of grade.
- **Take Home Assignments**: 20% 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. Similarly, if you are eligible for an accommodation due to a disability, you should discuss this with me in the first two weeks of class. 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. Problem sets and other resources will be available on my course web page.

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

Data Work: On the take home assignments and on some of the problem sets, you will be asked to use the spread sheet program Excel to analyze historical data. Excel is available in the KJ computer labs and elsewhere on campus, and the data files can be downloaded from my web page (see URL above). Our empirical research specialist, Luis Mijares, in KJ205 is available to answer technical questions about Excel, as am I. We will also discuss how some of this simple data analysis could be done in R.

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: You are required to attend the Common Ground talk/discussion on inequality by Greg Mankiw and Christie Romer on Thursday, March 12 at 7:00pm in Wellin Hall. Please note that this is the Thursday before March break and plan accordingly. I also expect to arrange at least one additional talk by a visitor during the semester.

Blog: There is a course blog on Blackboard on which you can post questions, observations and links to interesting news and other resources that you find interesting and relevant to the course. Participation on the blog is not required but will be counted as class participation.

Course Overview: The course divides naturally into three sections. The first third of the course models the economy in the long run and very 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 and at some additional macroeconomic policy issues. We look in greater detail at stabilization policy, the national debt, the trade balance, consumption, saving, and investment, and financial stability.

Schedule of topics and readings: (Readings are from Mankiw except as otherwise noted. Other readings are linked on my course web page.)

1. **Introduction:**
   Jan 21, 23: Introduction. (Ch 1; Federal Reserve Board, "Testimony of Chairman Jerome Powell, Nov 13 2019" and FOMC press release Dec 11 2019); National Income Accounting and Price Indices (Ch. 2; and Handout on Price Indexes)

2. **The Economy in the Long Run:**
   Jan 28: Long Run Equilibrium, Closed Economy (Ch 3, all but skim 3.2; Handout on Excel)
   Jan 30: Long Run Equilibrium, Open Economy (Ch 6, and skim appendix)
   Feb 4, 6: Money, Inflation, and Interest Rates (Ch 4,5; Handout on Money)
   Feb 11: The Very Long Run: Economic Growth (Ch 8)
   Feb 13,18: Growth and Technological Progress (Ch .9), Growth Accounting (Ch. 9 appendix)
   Feb 20: More on Growth and Inequality Videos: Gordon, "The Death of Innovation, The End of Growth"; Erik Brynjolfsson, "The Second Wave of the Second Machine Age"; Esther Duflo, "Social Experiments to Fight Poverty"
   MIDTERM EXAM: Tuesday, Feb 25, in class.

3. **The Economy in the Short Run:**
   Feb 27: The Business Cycle and Stabilization Policy (Ch 10)
   March 3, 5: IS-LM (Ch 11)
   Mar 10, 12: Using IS-LM (Ch 12)
   SPRING BREAK
   March 31, April 2: Open Economy (Ch 13: just appendix and case studies).
   Apr 7, 9, 14: Dynamic Aggregate Supply (Ch 15; Handout on Dynamic AS)
   MIDTERM EXAM: Thursday April 16, in class.

4. **More on Macroeconomic Policy:**
   April 21, 23: The Financial Crisis and Great Recession of 2007-9 (Ch. 18, PBS Frontline:"Inside the Meltdown" (video); Brunnermeier, "Deciphering the Liquidity Crunch of 2007–08")
   April 23: Stabilization Policy Debates (Ch. 16)
   April 28: Government Debt (Ch 17)
5. **More on the Microeconomic Foundations of Macroeconomics:**
   April 30, May 5: Consumption, Saving, and Investment (Ch 19, Handout on Investment)

6. **Conclusion**
   May 7: Conclusion (Epilogue)
   FINAL EXAM (cumulative): Thursday, May 14, 9:00 am. (Econ multi-section course exam time)

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, send to "all users" so I get it as well) with a condensed description of your topic (a few paragraphs) and a few 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, Economist, 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 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 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).