Overview

At its core, macroeconomics is concerned with the functioning of a nation’s economy as a whole. In this course, we will explore the set of techniques and data which are central to the field of macroeconomics. These topics will allow us to analyze economic events over the short run, medium run, and long run. As we proceed, we will develop formal theories grounded in microeconomics which will allow us to rigorously analyze questions of public policy. Over the course of the semester, we will also use these theories to develop a deeper understanding of current and recent macroeconomic events.

In the end, the content in this course should provide you with an understanding of the major themes in macroeconomics; an understanding which will allow you to critically assess the various claims made regarding macroeconomic issues.
Formal Requirements

Problem Sets

The problem sets are a critical component of this course. They enable you to practice the skills and techniques we will be employing throughout the course (both in class and on exams). There are also regular writing assignments as part of problem sets. You may work together on problem sets but you must hand in your own copy of your solutions. However, I may assign problems which you should complete independently. I will make note of this requirement in the problem set.

Problem set solutions will be posted to my web page. You should compare your own answers to the questions against these solutions in order to develop further understanding of the course material.

Problem sets are due on the dates listed below. To grade problem sets, I will randomly choose one of the problems assigned and the same problem will be graded for everyone in the class. I will disregard the lowest grade you receive on a problem set when calculating your final grade.

Problem sets will be distributed via email and my web page.

Class Participation

During our time together in class, I highly encourage questions regarding the course material. In addition, I will often pose questions regarding the course material to the class at large. Please attempt to answer these questions to the best of your ability since simply attempting to answer will benefit you in the form of class participation points.

Examinations

There are two examinations given in the course. The dates of the examinations are listed below. Examinations will primarily consist of multi-part, long-answer questions and will heavily draw upon the theories developed in the textbook and in class. I do not employ multiple choice questions on the exams.

Summary of formal requirements and grading

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Problem Sets</td>
<td>25%</td>
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<tr>
<td>Class Participation</td>
<td>5%</td>
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<tr>
<td>Mid-term</td>
<td>30%</td>
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<tr>
<td>Final Examination</td>
<td>40%</td>
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Late and Missing Assignments

Late assignments must be handed in within a week of the due date. You will receive reduced credit for a late assignment depending upon the reason for its tardiness.
Studying Guidelines

The following are a minimum set of guidelines you should follow in order to learn as much as possible in this course. The order of these suggestions indicates the relative importance of these suggestions:

1. **Complete all assigned readings before we cover the material in class.** We will cover a diverse set of topics in this course at a fairly steady pace. By reviewing the course material in advance, our in-class discussions will more significantly supplement your understanding of the course material. Periodically, we will conduct in-class exercises in order to assess your understanding of the assigned readings.

2. **Take notes in class.** While it may seem like concepts are coming across clearly in class, it can often be difficult to remember the details of our discussions without an accurate set of notes. Should you miss a class (either physically or mentally), be sure to obtain high-quality notes from a classmate.

3. **Work on problem sets on your own first.** You may collaborate on problem sets, but you may not collaborate on problems during exams. Therefore, it is in your best interest to grow accustomed to solving problems on your own. Moreover, problem sets are one of the best ways to prepare for an exam.

4. **Come to office hours and review sessions with questions.** If we are reviewing material together (in a group or individually) I can only provide you with tailored assistance if you have looked at the information in advance and generated a notion of where the material is most challenging. If I simply repeat class material verbatim during these sessions, our efforts will be fairly unproductive.

Policy on Examinations and Papers

Calculators may only be used on examinations in order to add, subtract, multiply and divide. Calculators may not be used in text mode during the course of an examination. If a calculator is employed outside of these boundaries, I will need to notify the Brigade Honor Staff. If you have any questions regarding use of calculators on exams, please contact me.
Schedule

Week 1: Introduction to Macroeconomics and the Aggregates 8/24-8/28

World economies, real GDP, unemployment and inflation.

Readings: Blanchard, Chapters 1 and 2

Week 2: Introduction to the Goods and Financial Markets 8/31-9/4


Readings: Blanchard, Chapters 3 and 4

Week 3: The IS-LM Model 9/8-9/11

Investment and interest rates, Fiscal and Monetary Policy.

Readings: Blanchard, Chapter 5

Problem Set 1: due at the beginning of class, 9/11

Week 4: The Labor Market and the AS-AD Model 9/14-9/18

Wage and Price Setting by Firms, The Natural Rate.

Readings: Blanchard, Chapters 6 and 7

Week 5: The Phillips Curve and Okun’s Law 9/21-9/25

Inflation and Unemployment, The Role of Expectations, Unemployment and Growth

Readings: Blanchard, Chapter 8 and Chapter 9 pages 183 - 189

Week 6: Conclusion: Inflation, Growth and Unemployment 9/28-10/2

The Dynamics of Inflation, Expectations and the Cost of Disinflation

Readings: Blanchard, Chapter 9 pages 189 - 198

Problem Set 2: 10/2
Week 7: **An Introduction to Economic Growth** 10/5-10/9

*Growth: Stylized Facts, Production: a Formalization*

**Readings:** Blanchard, Chapter 10

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Week 8: **The Solow Growth Model** 10/13-10/16

*Savings, Capital Accumulation, The Steady State*

**Readings:** Blanchard, Chapter 11

**Mid-Term Examination:** 10/16

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Week 9: **Technology, Growth and the Labor Market** 10/19-10/23

*Total Factor Productivity, Research and Development, Technology and the Natural Rate of Unemployment*

**Readings:** Blanchard, Chapters 12 and 13

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Week 10: **Expectations: the Short Run** 10/26-10/30

*Expectations: a Formalization, Present Discounted Value, Expectations in IS-LM*

**Readings:** Blanchard, Chapter 14

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Week 11: **Expectations and Financial Markets** 11/2-11/6

*The Yield Curve, The Stock Market, Bubbles*

**Readings:** Blanchard, Chapter 15

**Problem Set 3:** 11/6

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Week 12: **Expectations, Choice and Policy** 11/9-11/13

*Forward-Looking Consumption and Investment, Expectations of Policy in IS-LM*

**Readings:** Blanchard, Chapters 16 and 17
Week 13: **The Open Economy: an Introduction**  
**Readings:** Blanchard, Chapter 18

Week 14: **The Goods Market in an Open Economy**  
**Demand and Exchange Rates, Equilibrium and the Trade Balance, Trade Deficits and Savings**  
**Readings:** Blanchard, Chapter 19

Week 15: **Policy in an Open Economy**  
**The Mundell-Fleming Model, Managing Exchange Rate Regimes**  
**Readings:** Blanchard, Chapters 20 and 21

Week 16: **The Extremes I**  
**High Unemployment: The Great Depression**  
**Readings:** Blanchard, Chapter 22, first half  
**Problem Set 4:** 12/4

Week 17: **The Extremes II**  
**High Unemployment: Europe**  
**Readings:** Blanchard, Chapter 22, second half