Required Texts


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). You **may** work together on problem sets but you must hand in your own copy of your solutions. 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 you ability since simply attempting to answer will benefit you in the form of class participation points.

*Examinations*

There are three 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.

*Research Paper*

The material we cover in this course will allow you to critically assess many events which arise on the national policy front. These topics include but are not limited to monetary policy, fiscal policy, financial market outcomes, and international developments.

For your research paper, I recommend that you pick a macroeconomic event which has recently occurred and use the tools we develop in class to analyze the event. You should submit to me a two page proposal for your topic **at the beginning of class on October 21**. Your final paper, which should be at least eight pages long, is due **at the beginning of class on November 18**.

*Summary of formal requirements and grading*

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Worth</th>
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<tbody>
<tr>
<td>Problem Sets, Lab Reports</td>
<td>15%</td>
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<tr>
<td>Class Participation</td>
<td>5%</td>
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<tr>
<td>Examination 1</td>
<td>20%</td>
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<tr>
<td>Examination 2</td>
<td>20%</td>
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<tr>
<td>Research Paper</td>
<td>10%</td>
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<tr>
<td>Final Examination</td>
<td>30%</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.

In addition, your research paper for this course should adhere to standard citation practices. In particular, sentences or paragraphs which are taken, verbatim, from any source (book, article, newspaper, web page, etc.) must be placed in quotation marks and properly cited. A failure to follow proper citation procedures will be considered plagiarism and I will notify the Brigade Honor Staff. If this policy is vague in any way, please contact me so that I might further clarify.
Week 1: **Introduction to Macroeconomics and the Aggregates**  
8/23-8/27  
*World economies, real GDP, unemployment and inflation.*  
**Readings:** Blanchard, Chapters 1 and 2

Week 2: **Introduction to the Goods and Financial Markets**  
8/30-9/3  
*National Income Accounting, Consumption Theory, The Money Market.*  
**Readings:** Blanchard, Chapters 3 and 4

Week 3: **The IS-LM Model**  
9/07-9/10  
*Investment and interest rates, Fiscal and Monetary Policy.*  
**Readings:** Blanchard, Chapter 5  
**Problem Set 1:** due at the beginning of class, 9/9

Week 4: **The Labor Market and the AS-AD Model**  
9/13-9/17  
*Wage and Price Setting by Firms, The Natural Rate.*  
**Readings:** Blanchard, Chapters 6 and 7

Week 5: **The Phillips Curve and Okun’s Law**  
9/20-9/24  
*Inflation and Unemployment, The Role of Expectations, Unemployment and Growth*  
**Readings:** Blanchard, Chapter 8 and Chapter 9 pages 168 - 173  
**Examination 1:** 9/23

Week 6: **Conclusion: Inflation, Growth and Unemployment**  
9/27-9/30  
*The Dynamics of Inflation, Expectations and the Cost of Disinflation*  
**Readings:** Blanchard, Chapter 9 pages 173 - 183
Week 7: An Introduction to Economic Growth 10/04-10/08

Growth: Stylized Facts, Production: a Formalization

Readings: Blanchard, Chapter 10
Problem Set 2: 10/7

Week 8: The Solow Growth Model 10/11-10/15

Savings, Capital Accumulation, The Steady State

Readings: Blanchard, Chapter 11

Week 9: Technology, Growth and the Labor Market 10/18-10/22

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

Readings: Blanchard, Chapters 12 and 13
Paper Proposal: due at the beginning of class, 10/21

Week 10: Expectations: the Short Run 10/25-10/29

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

Readings: Blanchard, Chapter 14
Problem Set 3: due at the beginning of class, 10/26

Week 11: Expectations and Financial Markets 11/01-11/05

The Yield Curve, The Stock Market, Bubbles

Readings: Blanchard, Chapter 15
Examination 2: 11/04

Week 12: Expectations, Choice and Policy 11/08-11/12

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

Readings: Blanchard, Chapters 16 and 17
Week 13: The Open Economy: an Introduction  11/15-11/19


Readings:  Blanchard, Chapter 18
Research Paper:  due at the beginning of class, 11/18

Week 14: The Goods Market in an Open Economy  11/22-11/24

Demand and Exchange Rates, Equilibrium and the Trade Balance, Trade Deficits and Savings

Readings:  Blanchard, Chapter 19

Week 15: Policy in an Open Economy  11/29-12/03

The Mundell-Fleming Model, Managing Exchange Rate Regimes

Readings:  Blanchard, Chapters 20 and 21

Week 16: The Extremes  12/06-12/09

High Unemployment: The Great Depression and Europe

Readings:  Blanchard, Chapter 22
Problem Set 4:  due at the beginning of class on 12/07