1 Thoughts on Macroeconomics

"Economics is less a slavish creed than a prism through which to understand the world. It is a broad
 canon, stretching from theories to explain how prices are determined to how economies grow." - The
Economist July 2009

"I loved the Foundations. Like so many others in my cohort, I internalized its view that if I
could not formulate a problem in economic theory mathematically, I did not know what I was doing.
I came to the position that mathematical analysis is not one of many ways of doing economic theory:
It is the only way. Economic theory is mathematical analysis. Everything else is just pictures and
talk." - Robert Lucas 2001

"Inflation is the one form of taxation that can be imposed without legislation." - Milton Friedman

"Most economic fallacies derive from the tendency to assume that there is a fixed pie, that one
party can gain only at the expense of another." - Milton Friedman
2 Course Description

Macroeconomics studies the economy as a whole and the interactions between sectors of the economy. Like all economics courses the primary focus is on how economic agents make decisions and the impact of those decisions on others. However, in this course the object of focus is not on an individual but on the aggregate behavior of firms and consumers. The approach of this course explicitly links your microeconomics course with the study of macro. We will start the semester thinking about individual household and firm optimization problems and then aggregate those to gain a better understanding of how aggregate, consumption, employment, and output is determined. Once we have a solid understanding of the workings of the economy in short run, we will extend or model to think about what makes economies grow in the long run.

3 Course Objective

To develop a unified framework in which to understand the determinants of aggregate consumption, investment, labor, output, and prices in the short and long run. Using this framework we can then ask how will the economy respond to various policy and technology shocks. The topics covered are long-term economic growth, short-term business cycle fluctuations, unemployment and economic policy.

4 Readings

The book is very important to this course. Always read before class. Readings will be announced in class and posted on my webpage. Required Text: Williamson, Stephen D. *Macroeconomics*. Additional readings may be assigned throughout the semester.

5 Current Events

One of the most exciting aspects to studying macroeconomics is analyzing current events and policy. Macroeconomics is essential to understanding the world today. I would encourage you to get a subscription to the Economist and bookmark your favorite macro blogs. You can find some of my favorites on my website. Any article you think is relevant and want to discuss, please send me the
link. In order to encourage people to submit, I promise not to make you present it yourself (unless you would like to present it).

6 Problem Sets

I will hand out and post problem sets for each chapter of the book. There will be approximately four problems per chapter. Problem sets are a great way to practice for the tests. If you are disciplined and regularly put solid effort into your problem sets you will do very well in this course.

7 Economic Briefs

There will be five (8 page) economic briefs assigned throughout the semester. You will work on the brief in assigned groups of four. Half a letter grade will be deducted each day the paper is late (a weekend counts as two days.) A late paper is one that is received after 3pm the day it is due.

8 Testing

There will be one quiz (9/5/12) three tests (9/21/12, 11/5/12, 12/5/12) and a cumulative final exam. The quiz and tests will be given during our regular class period. During midterms and the final students may not use their calculator in text mode. If you cannot attend a quiz/test/exam for a legitimate reasons, please coordinate with me before the quiz/test/exam occurs to schedule an alternate exam. If you simply do not show, you will receive an automatic zero.

9 Assessment

- Quiz (9/5/12): 5%
- Test I (9/21/12): 10%
- Test II (11/5/12): 10%
- Test III (12/5/12) 10%
- Power Point Presentations/Problem Sets: 10%
- Economic Briefs 25%.
• Class Participation (Being inquisitive, thoughtful, and respectful of your colleagues ideas) 5%
• Cumulative Final Exam 25%