GOALS OF THE COURSE
Macroeconomics is the study of the economy as a whole and is concerned with some of the most important questions in economics. Why are some nations rich while others are poor? Why do some economies grow faster than others? What causes recessions? Why does the US often experience a “jobless recovery” from recessions? What are the risks of low inflation in the current US economy? What causes the value of the dollar to fluctuate in international currency markets? Did the Obama administration's stimulus package enacted in February 2009 contribute to the economic recovery? Does the move toward fiscal austerity in Europe pose a significant risk to the global economy? Has the Federal Reserve acted in an appropriate way in response to the weak economic recovery in the US? Our goal in this course is to answer these questions using the various models developed by macroeconomists and to understand the strengths and limitations of each model.

HONORS REQUIREMENTS
This course will incorporate two special features. First, both the models presented and the problem sets will feature more mathematical approaches than is typical. Second, there will be a group project, which will be carried out in stages over the semester. The goal of the project is to develop a coherent narrative, a relevant dataset and a suitable analytical framework for the performance of a prominent economy over the last 4-5 years.

Group membership and countries will be assigned during the third week of class.

REQUIRED TEXT
Andrew ABEL, Ben BERNANKE, and Dean CROUSHORE. Macroeconomics. (New York: Pearson/Addison-Wesley, 2011.) Seventh edition. The textbook is packaged with myeconlab, a problem-solving program. All problem sets will be assigned with this program. If you chose to purchase a used copy of the text, you must also arrange to purchase access to myeconlab. The course code is XL0T-H1KI-901Z-7152.

You must also regularly check the Blackboard site for this course. All readings and assignments will be posted there.
By the end of this course, you should be able to:

☑️ explain how to measure economic activity and how to evaluate economic performance using relevant data.
☑️ evaluate central bank policy choices over the past 3 years, both in Europe and the US.
☑️ use the Solow growth model to discuss reasons for the long-term improvement in the standard of living.
☑️ evaluate the significance of a trade deficit or surplus for economic performance.
☑️ present a well-reasoned view of the costs and benefits of a federal budget deficit and accumulation of debt.
☑️ analyze the short run fluctuations in the economy using models of aggregate demand (IS-LM) and aggregate supply.
☑️ decide if active monetary and fiscal policy can improve economic performance.
☑️ apply macroeconomic theory to a major event such as the Great Depression or the Great Recession.

REQUIRED READINGS: ARTICLES LINKED TO BLACKBOARD

These articles can be accessed via the Blackboard site for this course. They are listed under content, external links, or e-reserves.


12. TARULLO, Daniel. “Unemployment, the Labor Market, and the Economy,” Federal Reserve Board of Governors, a speech given on October 20, 2011.


EVALUATION
You will be evaluated in a variety of ways over the semester. The combination of problem sets and class discussions along with the midterms and final exam should allow each student to demonstrate her or his understanding of macroeconomics in many different dimensions. There is also a required group project which will be carried out over the semester. Also, remember that your attendance and participation in group exercises are very important to your learning in this course. Lack of regular attendance could significantly lower your final grade. If you have questions about the ways in which you are being evaluated during the semester, please stop by and visit with me during office hours.

ASSIGNMENTS AND EXAMS

<table>
<thead>
<tr>
<th>Weight in final grade</th>
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<tbody>
<tr>
<td>Group project and presentation</td>
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<tr>
<td>Problem sets</td>
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<tr>
<td>Exams I and II</td>
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<td>Final exam (comprehensive)</td>
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IMPORTANT DATES

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Monday, February 27</td>
<td>EXAM # 1</td>
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<tr>
<td>Thursday, March 22</td>
<td>GROUP PROJECT, PART # 1 DUE</td>
</tr>
<tr>
<td>Thursday, April 5</td>
<td>EXAM # 2</td>
</tr>
<tr>
<td>Tuesday, May 1 (4 pm)</td>
<td>GROUP PROJECT, PART # 2 DUE</td>
</tr>
<tr>
<td>Thursday, May 3</td>
<td>FINAL EXAM (11:45-2:15)</td>
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ACADEMIC INTEGRITY: Standards of academic conduct are set forth in the University's Academic Integrity Code. By registering at the university, you have acknowledged your awareness of the Academic Integrity Code and you are obliged to become familiar with your rights and responsibilities as defined by the Code. Violations of the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should such violations occur. Please see me if you have any questions about the academic violations described in the Code in general or as they relate to particular requirements for this course.

IF YOU NEED HELP
Please contact me as soon as possible either by e-mail, by telephone, or by visiting my office. Together we can develop a plan to address whatever problems you may be experiencing.

POLICY ON ELECTRONIC DEVICES: The use of laptops, cell phones and other electronic devices is prohibited during class.
SCHEDULE OF TOPICS
SPRING 2012

Thursday, Jan. 19  Welcome, Introduction, and Overview
Chapter 1, *Introduction to Macroeconomics*
Chapter 2, *National Income Accounting*

LONG RUN ECONOMIC PERFORMANCE

Monday, Jan. 23  Chapter 2 (continued)
and
READING: Bernanke “Jobless Recovery”

Thursday, Jan. 26  Chapter 3, Productivity, Output, and Employment

Monday, Jan. 30  Chapter 3 (continued)
READING: IMF “Two-speed recovery” AND
Blanchard “video”

Thursday, Feb. 2  Chapter 4, *Consumption, Saving, and Investment*

Monday, Feb. 6  Chapter 4 (continued)
READING: Mankiw, “How to Make Business”

PROBLEM SET # 1 DUE: Monday, Feb. 6 (11 pm)

Thursday, Feb. 9  Chapter 5, *Saving and Investment in the Open Economy*

Monday, Feb. 13  Chapter 5 (continued)

Thursday, Feb. 16  Chapter 6, *Economic growth in the long run*

Monday, Feb. 20  Chapter 6 (continued)

PROBLEM SET # 2 DUE: Monday, Feb. 20 (11 pm)

Thursday, Feb. 23  Chapter 6 (continued)

Monday, Feb. 27  EXAM # 1
Thursday, Mar. 1  Chapter 7, *The asset market*

Monday, Mar. 5  Chapter 7 (continued)

**THE ECONOMY IN THE SHORT RUN**

Thursday, Mar. 8  Chapter 8, *Business Cycles: An Overview* and
READING: *End of the Great Recession (NBER)*

**SPRING BREAK**

Monday, Mar. 19  Chapter 9, *The IS/LM model*

Thursday, Mar. 22  Chapter 9 (continued)

**GROUP PROJECT, PART I DUE: Thursday, Mar. 22**

Monday, Mar. 26  Chapter 9: *Applications of the IS/LM model*
READING: Shleifer, “Age of Friedman”

Thursday, Mar. 29  Chapter 9: *The IS/LM model and the AS/AD model*
READINGs: Lansing, “Gauging” and Tarullo, “Unemployment”

Monday, Apr. 2  Chapter 9 (continued), *Applications of the IS/LM model*
READING: Romer, “Nation in Depression”

**PROBLEM SET # 3 DUE: Monday, Apr. 2 (11 pm)**
Thursday, Apr. 5  EXAM # 2

Monday, Apr. 9  Chapter 11, Keynesianism: the macroeconomics of wage

and price rigidity
READINGS:
Romer, “Lessons from the Great Depression”
and Keynes, “Open Letter”

Thursday, Apr. 12  Chapter 11 (continued)
READING:
Auerbach et al., “Activist Fiscal Policy”

Monday, Apr. 16  Chapter 13, Exchange Rates and Macroeconomic Policy in the Open Economy

Thursday, Apr. 19  Chapter 13 (continued)

Monday, Apr. 23  Chapter 14, Monetary Policy and the Federal Reserve System
AND
READINGS: Blinder, “Quantitative Easing”
Mishkin, “Over the Cliff”

PROBLEM SET # 4 DUE: Monday, Apr. 23 (11 pm)

Thursday, Apr. 26  GROUP PRESENTATIONS

Monday, Apr. 30  GROUP PRESENTATIONS

GROUP PROJECT, PART II DUE: Tuesday, May 1
(in my office by 4 pm)
Thursday, May 3

**FINAL EXAM (11:45-2:15)**
GROUP PROJECT REQUIREMENTS

Each group will be assigned a country for which the following requirements must be met: a research paper, submitted in two parts, and a group presentation.

PART I.
Develop a historical narrative which describes the experience of the nation’s economy for the past five years. Include:
☑ the state of the economy before the global recession began (around 2007-2008)
☑ risk factors which were present in the economy before the recession (e.g. a housing market “bubble”)
☑ the timing and severity of the nation’s downturn
☑ a comparison with the experience of the U.S. or German economy
☑ a description of the likely transmission mechanisms of the economic downturn
☑ the response of policymakers, both fiscal and monetary
☑ an assessment of the economy today (2011-2012)

SUGGESTED LENGTH: 15-20 PAGES, DOUBLE-SPACED, USING 12-PT FONT
DUE DATE FOR PART I: THURSDAY, MARCH 22 (in class)

PART II.
Develop a data set which can be used to carefully assess the economic performance of the nation before and after the downturn. Also, apply the relevant models from the semester to analyze the recession and recovery. Include:
☑ quarterly or monthly data on key macroeconomic variables, such as real GDP growth, unemployment rates, inflation rates, short-term and long-term interest rates, measures of country risk premiums, exchange rates, trade balances, government deficits and debt levels (as a percent of GDP), other relevant data to your economy (e.g. house prices, bank failures)
☑ graphs and tables of the data
☑ explicit hypotheses for which factors were responsible for the economic downturn
☑ assess the risk of a 2012 recession
☑ how the hypotheses are linked to the models discussed over the semester
☑ the use of economic models to explain and evaluate the actions taken by policymakers
☑ the group’s opinion of the strengths and weaknesses of the macroeconomic models used
☑ the group’s opinion of the appropriateness of the responses undertaken by the policymakers (e.g. was too much or too little done)
☑ an analysis of the factors unique to the experience of your economy
SUGGESTED LENGTH: 20-25 PAGES, DOUBLE-SPACED, USING 12 PT. FONT
DUE DATE FOR PART II: TUESDAY, MAY 1 (in my office by 4 pm)

DATES FOR GROUP PRESENTATIONS

THURSDAY, APRIL 26

MONDAY, APRIL 30

COUNTRIES TO BE ANALYZED:
1. Spain (compared to Germany)
2. France (compared to Germany)
3. Canada (compared to US)
4. Japan (compared to US)
5. Britain (compared to Germany or US)

HOW YOUR PROJECT WILL BE EVALUATED
Organization 10%
Writing style 10%
Use of data 20%
Analysis of economy 40%
Quality of presentation 20%

REFERENCE REQUIREMENTS
A minimum of 10 high-quality references, one of which must be the relevant IMF “Country Report” or a similar publication