Macroeconomic Theory  
Economics 440.602.51, Fall 2013

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Purpose

This course examines the issues central to the sub-discipline of Economics known as Macroeconomics. Our objective is to examine the behavior of the economy as a whole to better understand how factors such as output, employment, prices, interest rates, wages, and foreign exchange rates are determined. In particular, we will analyze two primary phenomena of the macro-economy: business cycles and growth. In addition, a broader aim of the course is to provide the tools necessary to critically analyze arguments made by so-called “experts” about developments in the economy.

Text Book


Structure of Course

The course is organized through a series of topics. Each topic has a similar structure:

1) Reading from Williamson  
2) Recommended Problems  
3) Homework Assignment  
4) Additional Readings  
5) Quiz

The pace of the course is approximately one topic per week. A few points to note:

- The recommended problems are not collected or graded, as you are provided the answers. These are usually taken from the ‘Problems’ at the end of each chapter. Exam questions will be very similar in content and quality to the homework problems, so it is in your best interest to be very familiar with these problems.

- The Homework Assignment is generally mathematical in nature and is graded.
The ‘Additional Readings’ for each topic are intended to provide a more global view of topic. The readings each week will be a topic for discussion as part of regular class participation.

Course powerpoints, homework assignments, quizzes, etc., are all available via the course Blackboard website. In particular, all quizzes and homework assignments are conducted through the site. In addition, there is a course Discussion Forum through which you will be able to participate in course discussions.

Grading

The weights for each of the components are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Coverage</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Midterm Exam</td>
<td>Topics 1-6</td>
<td>35%</td>
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<tr>
<td>Final Exam</td>
<td>Topics 7-12</td>
<td>35%</td>
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<tr>
<td>Weekly Quizzes</td>
<td>Particular Topics</td>
<td>10%</td>
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<tr>
<td>Weekly Assignments</td>
<td>Particular Topics</td>
<td>10%</td>
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<tr>
<td>Participation</td>
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Exams

The exams are standard, closed-book exams, and are designed to take about 2 ½ to 3 hours of time. These will be similar in nature to the problems assigned from the text and the weekly homework assignments.

Quizzes

For each topic listed within the syllabus, there is a 10-question multiple-choice quiz that must be completed within 10 minutes. The quizzes are available on the course Blackboard web site and serve as an incentive to keep up with the material in a timely fashion. The content of the quizzes is very similar to in nature to the ‘Questions in Review’ questions at the end of each chapter of the text. These tend to be fairly basic questions and are intended to provide some incentive to keep up with the material.

The quizzes for each week will become available the particular Monday of the given week and must be completed by the following Monday of the following week, prior to the beginning of class. So, for example, the first quiz corresponding to the week starting September 9th will be available on September 9th and must be completed by Monday, September 16th, at 6 pm. If you do not take a quiz within the specified time frame, you effectively will receive a score of zero for that particular quiz.
Weekly Assignments

Each, there will be an assignment that must be turned in within a similar time frame as the weekly quizzes. The assignment will generally be a single question that is often a bit more quantitative than the homework problems at the end of each chapter. Your response should be relatively short, basically included on a single-side of a single page of paper. It is preferred that you turn in the assignment using Word or PDF format via the Blackboard course site (you may also turn in the assignment in class if you prefer). Similar to the quizzes, the first assignment corresponding to the week starting September 9\textsuperscript{th} must be completed by Monday, September 16\textsuperscript{th}, 6 pm.

You will receive a score of 0, 1, or 2 on each assignment. You will receive a score of ‘2’ if the answer is exactly correct, and a ‘0’ if you do not turn in the assignment on time. Hence, an incorrect response that gets turned in on time receives a ‘1’. **Assignments that are not turned in on time will not be accepted.** If you do not turn in an assignment for a particular week, you simply must accept a score of ‘0’ for that assignment.

Participation

Participation includes both standard in class discussion and engagement within the course web site. **As part of the ‘Participation’ component of the score of the grade, individuals should provide some indication within the Blackboard Discussion Forum that they have read the ‘Additional Reading’ each week.** This forum is intended to be a class discussion of the article. While higher quality comments are, of course, preferred, any form of comment is better than no comment. Also, responding to other students’ comments and opinions is highly encouraged.

Pace of Course

The course takes place over 14 weeks. We will cover 12 topics within those 14 weeks, so that is a lot of material to cover. The course is essentially divided into two halves, in which topics 1 through 6 will be covered in the first half of the course, while topics 7 through 12 will be covered in the second half.

Mathematical Content of Course

For this course, you should have some familiarity with optimization methods using calculus and basic linear algebra. We will review many of these optimization methods, particularly in the first half of the course.
Course Schedule

I. MICRO-FOUNDATIONS

Week 1: September 9

Topic 1: The Labor Market
Williamson: Chapters 1 – 3 (Skim), Chapter 4
Problems: Chapter 4, # 4, 6, 7, 10, 11
Readings: “The Macroeconomist as Scientist and Engineer,” Mankiw

Week 2: September 16

Topic 2: The Two-Period Model
Williamson: Chapter 9
Problems: Chapter 9, #3, 4, 5, 9
Readings: “Convergence in Macroeconomics: Elements of a New Synthesis,” Woodford

II. THE INTERTEMPORAL MODEL

Week 3: September 23

Topic 3: The Intertemporal Model, Part I
Williamson: Chapter 11, pp. 375-408
Problems: Chapter 11, #1, 3, 5, 7
Readings: “Over the Cliff: From Subprime to the Global Financial Crisis,” Mishkin

Week 4: September 30

Topic 4: The Intertemporal Model, Part II
Williamson: Chapter 11, pp. 408-432
Problems: Chapter 11, # 8, 9, 10, 11, 12, 13
Readings: “Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome,” Caballero
III. THE COMPLETE REAL BUSINESS CYCLE MODEL

Week 5: October 7

Topic 5: Money and Prices
Williamson: Chapter 12
Problems: Chapter 12, #2, 3, 5, 6, 9
Readings: “How Debt Markets Have Malfunctioned in the Crisis,” Krishnamurthy

Week 6: October 14

Topic 6: Business Cycle Models (skip pp. 511-514)
Williamson: Chapter 13
Problems: Chapter 13, #1, 2, 5, 6, 8
Readings: “Real Business Cycles: A New Keynesian Perspective,” Mankiw

MIDTERM EXAM

Week 7: October 21

IV. THE KEYNESIAN MODEL

Week 8: October 28

Topic 7: New Keynesian Economics
Williamson: Chapter 14
Problems: Chapter 14, #2, 3, 4, 7

Week 9: November 4

Topic 8: The Keynesian IS-LM Model & The Phillips Curve
Williamson: Chapter 18
Problems: Chapter 18, #1, 2, 3
Additional Problems Provided
Readings: “How Complicated Does the Model Have to Be?” Krugman
V. TOPICS IN MACROECONOMICS

Week 10: November 11

Topic 9: Money, Inflation, and Banking
Williamson: Chapter 17
Problems: Chapter 17, #1, 2, 4, 9, 11, 12
Readings: “An Interview with Thomas Sargent,” Rolnick

Week 11: November 18

Topic 10: Search and Unemployment
Williamson: Chapter 6
Problems: Chapter 6, #1, 2, 3, 6
Readings: “A Search and Matching Approach to Labor Markets: Did the Natural Rate of Unemployment Rise?,” Daly, Hobijn, Sahin, and Valletta

Week 12: November 25

Topic 10: Economic Growth, Part I
Williamson: Chapter 7
Problems: Chapter 7, #1, 2, 5, 6, 9
Readings: “Solow in the Tropics,” Toye

Week 13: December 2

Topic 12: Economic Growth, Part II
Williamson: Chapter 8
Problems: Chapter 8, #1, 3, 5, 7

FINAL EXAM

Week 14: December 9