

Macroeconomic Theory AS.440.602 (51)

Course Syllabus

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Fall Semester 2018

Tuesday 6:00-8:30 PM

Room TBA

Prerequisite: AS.440.304 Mathematical Methods for Economists

Course Description

This course provides a systematic overview of the theory of aggregate output and employment, the rate of interest, and price level determination. Coverage includes the theories of consumption and investment, the demand and supply of money, inflation, unemployment, economic growth, financial frictions and financial cycles. These topics are discussed in the context of contemporary empirical work on aggregative relationships.

Materials

We will be using Sanjay K. Chugh's textbook "Modern Macroeconomics" (first edition) that was specifically created by Sanjay for this course when he taught at Johns Hopkins. We will follow the structure of the book pretty closely so please obtain a copy of it. All additional materials will be provided to you either in class or by email. Exams will just require paper and pens/pencils.

Policy and Goals

Everyone in this class is an adult and is expected to act in a professional, responsible manner according to University Policy. If you require any type of special accommodations during the midterm/final or during class, please let me know as soon as possible (preferably before the third class), so that there is sufficient time to plan ahead to accommodate your needs. I will be in touch with you using the Johns Hopkins email addresses that have been passed to me by the University, so you are responsible for checking that email to receive all materials.

Contact Information

You can reach me at aajello1@jhu.edu. I will attempt to respond to that day's emails each evening. In case you have questions for me that you would like to address in person, please email me in advance to schedule a meeting. I can be available before and after each class and will try my best to accommodate alternative times to meet you in case of conflict.

What You Should Expect Before, During, and After Each Class

Most classes will begin with a short quiz that reviews the topics from the prior class. Afterwards, I will review the answers with you. We will then discuss additional readings

from the academic literature and current articles from the media related to that day's lecture to give context to that lecture's material. You will be expected to engage in that day's discussion. Last, we will go through that day's lecture. There will be a short break part way through that day's class.

You will solve five problem sets that should give you a sense of the difficulty and content of the materials on the midterm and final. Please form groups of 4/5 students. You and your group mates will have **two weeks** to solve the problem set and will hand in **one copy** per group before class on the days specified in the course outline below.

How to Prepare for Exams

You should study the lecture notes, quizzes, problem sets, and midterms. If you need more material to study from, there are questions throughout Chugh's textbook which will potentially be similar to some of the exam questions. You can email me a detailed solution to any problems and I will check it for you, as long as you do so before the final lecture.

Course Grading

A large percentage of your grade will be determined by two exams, a midterm (25%) and final (50%). 25% of your grade will also be determined by your participation score, which includes performance on weekly quizzes, problem sets, and participation in discussion. So, to review:

Participation: 25%

Midterm: 25%

Final: 50%

Total: 100%

Course Outline

We will meet 14 times, which includes 12 lectures and in-class midterm and final exams.

The course is divided into 12 topics, which should roughly correspond to each lecture, noted below. Please read the chapters and additional readings listed below before each class. Please check blackboard for the additional readings and any additional articles from the media.

The outline below is subject to change.

Class I, Lecture I (September 11th, 2018)

Overview

- Introductions/Syllabus Review and Course Goals/Expectations.
- A Simple (Macro)economy.
- National Accounts and Some Facts Regarding Economic Growth and Business Cycles.
- A Brief History of Macroeconomics (Chugh: Introduction to “Modern Macroeconomics” and Chapter 10).

Class II, Lecture II (September 18th, 2018)

Mathematical Review (Chugh: “Mathematical Appendix: Refreshers, Reviews, and Reminders”).

The Consumer Problem

- Microeconomics of Consumer Theory (Chugh: Chapter 1).
- The static consumption-labor framework (Chugh: Chapter 2).
- The dynamic consumption-savings framework (Chugh: Chapter 3).

Class III, Lecture III (September 25th, 2018)

Building on the Dynamic Consumption-Savings Framework

- Inflation and Interest Rates in the Consumption-Savings Framework (Chugh: Chapter 4).
- Dynamic Consumption-Labor Framework (Chugh: Chapter 5).
- Firms (Chugh: Chapter 6).

Class IV, Lecture IV (October 2nd, 2018)

NOTE: Problem Set 1 due

Building on the Dynamic Consumption-Savings Framework

- Intertemporal Fiscal Theory (Chugh: Chapter 7).
- Asset Pricing (Chugh: Chapter 8).
- Shocks (Chugh: Chapter 9 and Chugh “Interlude: General Equilibrium Macroeconomics”).

*Additional Reading for Discussion: “Macroeconomics of the Term Structure?”
Gürkaynak and Wright (2012).*

“Credit Spread and Business Cycles Fluctuations”, Gilchrist and Zakrajsek 2012

Class V, Lecture V (October 9th, 2018)

Elements of Modern Macroeconomics

- Supply-Side Economics (Chugh: Chapter 11).
- The Phillips Curve (Chugh: Chapter 12).
- New Keynesian Economics (Chugh: Chapter 13).

Additional Reading for Discussion: "Has the Wage Phillips Curve gone Dormant?", Leduc and Wilson (2017)

"The Intensive and Extensive Margins of Real Wage Adjustment." Daly and Hobijn (2016).

Class VI, Lecture VI (October 16th, 2018)

NOTE: Problem Set 2 due

Elements of Modern Macroeconomics

- Real Business Cycle Theory (Chugh: Chapter 14).
- Monetary Policy in the Intertemporal Framework (Chugh: Chapter 15).

Additional Reading for Discussion: "Modern Macroeconomics in Practice: How Theory is Shaping Policy." Chari and Kehoe (2006).

Chapter for your review that will not be on Midterm or Final: Monetary-Fiscal Interactions (Chugh: Chapter 16).

Class VII, Lecture VII (October 23rd, 2018)

Optimal Policy under Flexible Prices

- Optimal Monetary Policy (Chugh: Chapter 17).

Additional Reading for Discussion: "The Macroeconomist as Scientist and Engineer." Mankiw (2006).

Class VIII, Lecture VII (October 30th, 2018)

NOTE: Problem Set 3 due

Optimal Policy under Flexible Prices and Review for Midterm

- Economic Efficiency (Chugh: Chapter 18).

Class IX, Midterm (November 6th, 2018)

*****MIDTERM*****

Class X, Lecture IX (November 13th, 2018)

Rigid Prices and Optimal Policy

- Monopolistic Competition (Chugh: Chapter 22).
- Rotemberg Framework (Chugh: Chapter 23).
- Optimal Monetary Policy with Rigid Prices (Chugh: Chapter 24).

No class on November 20th for Thanksgiving Break

Class XI, Lecture X (November 27th, 2018)

NOTE: Problem Set 4 due

Economic Growth Revisited

- Solow Growth (Chugh: Chapter 25).
- Neoclassical Growth (Chugh: Chapter 26).

Additional Reading for Discussion: "Beyond GDP: Welfare Across Countries and Time." Jones and Klenow (2016).

Class XII, Lecture XI (December 4th, 2018)

Financial Frictions

- Financial Accelerator and Regulatory Policy (Chugh: Chapter 21)

Additional Reading for Discussion: "The Financial Accelerator in a Quantitative Business Cycle Framework." Bernanke, Gertler, Gilchrist (1999).

"Banks and Liquidity Creation: A Simple Exposition of the Diamond-Dybvig Model." Diamond (2007).

"Some Reflections on the Recent Financial Crisis." Gorton (2012).

"Government Policy, Credit Markets, and Economic Activity", Christiano and Ikeda (2013)

"How Credit Cycles across a Financial Crisis." Krishnamurthy and Muir (2016).

Class XIII, Lecture XII (December 11th, 2018)

NOTE: Problem Set 5 due

Catch-up and Review

Class XIV, Final (December 18th, 2018)

University Policies

General

This course adheres to all University policies described in the academic catalog. Please pay close attention to the following policies:

Students with Disabilities

Johns Hopkins University is committed to providing reasonable and appropriate accommodations to students with disabilities. Students with documented disabilities should contact the coordinator listed on the [Disability Accommodations](#) page. Further information and a link to the Student Request for Accommodation form can also be found on the [Disability Accommodations](#) page.

Ethics & Plagiarism

JHU Ethics Statement: The strength of the university depends on academic and personal integrity. In this course, you must be honest and truthful. Ethical violations include cheating on exams, plagiarism, reuse of assignments, improper use of the Internet and electronic devices, unauthorized collaboration, alteration of graded assignments, forgery and falsification, lying, facilitating academic dishonesty, and unfair competition. Report any violations you witness to the instructor.

Read and adhere to JHU's [Notice on Plagiarism](#).

Dropping the Course

You are responsible for understanding the university's policies and procedures regarding withdrawing from courses found in the current catalog. You should be aware of the current deadlines according to the [Academic Calendar](#).

Getting Help

*You have a variety of methods to get help on Blackboard. Please consult the resource listed in the "Blackboard Help" link for important information. **If you encounter technical difficulty in completing or submitting any online assessment, please immediately contact the designated help desk listed on the [AAP online support page](#).** Also, contact your instructor at the email address listed in the syllabus.*

Copyright Policy

All course material are the property of JHU and are to be used for the student's individual academic purpose only. Any dissemination, copying, reproducing, modification, displaying, or transmitting of any course material content for any other purpose is prohibited, will be considered misconduct under the [JHU Copyright Compliance Policy](#), and may be cause for disciplinary action. In addition, encouraging academic dishonesty or cheating by distributing information about course materials or assignments which would give an unfair advantage to others may violate AAP's [Code of Conduct](#) and the University's [Student Conduct Code](#). Specifically, recordings, course materials, and lecture notes may not be exchanged or distributed for commercial purposes, for compensation, or for any purpose other than use by students enrolled in the class. Other distributions of such materials by students may be deemed to violate the above University policies and be subject to disciplinary action.

Code of Conduct

To better support all students, the Johns Hopkins University non-academic [Student Conduct Code](#) has been integrated and updated to include all divisions of the University. In addition, it is important to note that all AAP students are still accountable for the [Code of Conduct for Advanced Academic Programs](#).

Title IX

Confidentiality and Mandatory Reporting

As an instructor, one of my responsibilities is to help create a safe and inclusive learning environment on our campus. I also have mandatory reporting responsibilities related to my role as a Responsible Employee under the Sexual Misconduct Policy & Procedures (which prohibits sexual harassment, sexual assault, relationship violence and stalking), as well as the General Anti-Harassment Policy (which prohibits all types of protected status based discrimination and harassment). It is my goal that you feel able to share information related to your life experiences in classroom discussions, in your written work, and in our one-on-one meetings. I will seek to keep information you share private to the greatest extent possible. However, I am required to share information that I learn of regarding sexual misconduct, as well as protected status based harassment and discrimination, with the Office of Institutional Equity (OIE). For a list of individuals/offices who can speak with you confidentially, please see Appendix B of the [JHU Sexual Misconduct Policies and Laws](#).

For more information on both policies mentioned above, please see: [JHU Relevant Policies, Codes, Statements and Principles](#). Please also note that certain faculty and other University community members also have a duty as a designated Campus Safety Authority under the Clery Act to notify campus security of certain crimes, as well as a duty under State law and University policy to report suspected child abuse and/or neglect.