

SYLLABUS
SPRING 2011

ECON 1210

**INTERMEDIATE MACROECONOMICS
Brown University**

Instructor

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Consultation: WF 1:30-2:30 pm

Lecture Time / Venue

MWF 10:00-10:50 am / MacMillan 115

Teaching Assistant

Ana Tribin
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Conference Time / Venue

F 12:00-12:50 pm / Church 106
F 1:00-1:50 pm / Church 106

Course Website

www.econmx.com/121.htm

About the Course

Macroeconomics is concerned with the behavior of markets in the aggregate, which is tracked by composite indicators, such as national output and the average price level across industries. We are interested, on the one hand, in factors that determine the long-run trend in output, and on the other in fluctuations (that involve adjustment costs, e.g. unemployment) and what governments and central banks can do to combat them.

We start with the big picture: the theory of economic growth, which ultimately determines the evolution in living standards. The Solow and Romer models illustrate the mechanics and impact of capital and knowledge accumulation. We talk about the productivity effects of OPEC and the IT revolution. The second, and largest, component of the course zooms in on the immediate events that dominate economic news and policy debates: booms and recessions, unemployment, fiscal and Fed policy. In this context, we discuss the recent economic crisis. The third part concerns the international dimension: trade, currency markets, foreign debt. Here we consider the collapse of East Asian exchange rates in the late 1990s.

Topics

1. Long-Run Economic Growth (4 weeks)
2. Employment and Wages (1 week)
3. Money and Inflation (1 week)
4. Business Cycles and Fed Policy (3 weeks)
5. The Recent Crisis (1 week)
6. Government Policy and the National Accounts (4 weeks)

Prerequisites ECON 011 (Principles of Economics); familiarity with calculus.

Policies

Attendance I will not keep track of attendance in lectures or conferences – you decide what helps you in meeting the course requirements and how to get the most out of the class. Anything I might say in lectures about assessment (exam content, hints on assigned problems etc.) will be repeated by e-mail to all enrolled students.

Conferences will be held weekly, starting in the third week. The TA will selectively discuss answers to problem sets and give you the chance to ask questions, either about course content or assignments.

Grading Assessment includes a 2-hour in-class midterm and a 2-hour final exam, weighted equally. Both exams consist of two end-of-chapter exercises from the textbook (60%) and twenty multiple choice and true-false questions (40%).

Three exercises will be assigned from the textbook every week, starting in the second week. They can be attempted in groups (if you like) and do not have to be handed in. The TA will discuss solutions in conferences to the extent that time permits. The midterm and final will each contain one of the previously assigned exercises (worth 30% of the points).

In addition, I will post with the assignments ten multiple choice and true-false questions for self-testing and announce answers prior to the following week's conference, so that you can talk them over with the TA. These questions will not appear on the exam in exactly the same form, but I suggest you have a look at them regularly to get used to the style and review class material.

Readings

Required Jones, C.I. (2009). *Macroeconomics* (Economic Crisis Update). W.W. Norton. ISBN: 978-0-393-93511-0.

An online version of the book can be purchased from the publisher for \$ 62.50 (the price of a printed copy is more than double) at:
https://www.wwnorton.com/orders/intellipay/accesspurchase.asp?site=chadup_ebook_sw.

Reference Barro, R.J. (1997). *Macroeconomics* (5e). MIT Press. ISBN: 978-0-262-02436-5.

There are two views on how we should think about macro. One approach directly models relationships between aggregate quantities: for example, aggregate demand and aggregate supply determine the aggregate price level, and aggregate output depends on an aggregate production function and aggregate investment. This is a convenient way to make sense of a very complex world, and it is what almost all intermediate macroeconomics texts focus on. The assigned book, Jones, belongs in this category; an excellent alternative would be Mankiw's *Macroeconomics* (now also available as *Macroeconomics and the Financial System*, by Mankiw and Ball).

In academic research, it is often seen as important to derive aggregate properties from the interaction of the underlying markets, which are ultimately determined by individual choices. This is called the "microfoundations" or "dynamic general equilibrium" approach to macroeconomics. While more difficult, and therefore less popular at the intermediate level, it tends to be what we teach in graduate school. Good undergraduate textbooks in this tradition are Barro's *Macroeconomics* (there is an updated and more expensive, but quite similar, version on the market, called *Macroeconomics: A Modern Approach*), as well as Williamson's *Macroeconomics*. Many economists are unhappy with the usual disconnect between undergraduate and graduate macroeconomics. While I mainly follow Jones, I will introduce some microfoundations, such as job search and real business cycles, and Barro will be a useful reference on those occasions.

Resources

Norton's StudySpace companion site to the textbook offers resources for review and further exploration and lets you to take diagnostic quizzes for each chapter. It's worth checking out, and access is free:

https://www.wnorton.com/gateway/buychoice.asp?site=chadup_ebook

A *Study Guide*, prepared by David Gillette, is available from bookstores for about \$ 25 (the current version is probably based on the first edition of the book and will not cover the two chapters that were added after the economic crisis).

Lecture Schedule

Week 1			
	Wed 1/26	Introduction to the Course	J 1
	Fri 1/28	1.2 GDP	J 2.1-2.2
Week 2	Mon 1/31	(1.2 cont'd)	J 2.3-2.4
	Wed 2/2	1.3 Growth Facts	J 3
	Fri 2/4	1.4 General Equilibrium	J 4
Week 3	Mon 2/7	(1.4 cont'd)	
	Wed 2/9	1.5 Solow Model	J 5.1-5.4
	Fri 2/11	(1.5 cont'd)	J 5.5-5.10
Week 4	Mon 2/14	1.6 Romer Model	J 6.1-6.3
	Wed 2/16	(1.6 cont'd)	J 6.4-6.9
	Fri 2/18	2.1 The Labor Market	J 7

Week 5	<i>Mon 2/21</i>	Long weekend (no class)	
	<i>Wed 2/23</i>	2.2 Unemployment	
	<i>Fri 2/25</i>	Midterm Exam	
Week 6	<i>Mon 2/28</i>	3.1 Money Supply, Interest and Inflation	J 8.1-8.2
	<i>Wed 3/2</i>	(3.1 cont'd)	J 8.3-8.6
	<i>Fri 3/4</i>	3.2 The Role of Money in General Equilibrium	
Week 7	<i>Mon 3/7</i>	4.1 Empirics of Fluctuations	J 9
	<i>Wed 3/9</i>	4.2 Real Business Cycles	
	<i>Fri 3/11</i>	4.3 Saving and Investment	J 10.1-10.4
Week 8	<i>Mon 3/14</i>	(4.3 cont'd)	J 10.5-10.6
	<i>Wed 3/16</i>	4.4 Positive Theory of Monetary Policy	J 11.1-11.4
	<i>Fri 3/18</i>	(4.4 cont'd)	J 11.5-11.7
Week 9	<i>Mon 3/21</i>	4.5 Normative Stabilization Policy	J 12.1-12.4
	<i>Wed 3/23</i>	(4.5 cont'd)	J 12.5-12.7
	<i>Fri 3/25</i>	4.6 Monetary Policy in General Equilibrium	
Spring Break			
Week 10	<i>Mon 4/4</i>	5.1 Financial Crisis: The Sequence of Events	J 13
	<i>Wed 4/6</i>	5.2 Analysis and Policy Responses	J 14
	<i>Fri 4/8</i>	6.1 Fiscal Policy	J 15
Week 11	<i>Mon 4/11</i>	(6.1 cont'd)	
	<i>Wed 4/13</i>	6.2 Tax Revenue, Transfers and Public Debt	
	<i>Fri 4/15</i>	(6.2 cont'd)	
Week 12	<i>Mon 4/18</i>	6.3 Trade	J 16
	<i>Wed 4/20</i>	6.4 National Accounts	
	<i>Fri 4/22</i>	6.5 The Exchange Rate	J 17.1-17.4
Week 13	<i>Mon 4/25</i>	(6.5 cont'd)	J 17.5-17.8, 18
	<i>Wed 4/27</i>	6.6 Asian Currency Crisis	
Reading Period			
Final Exam (subject to change) <i>Sat 5/14 9:00 am</i>			