

Macroeconomics ECON 9020

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Office Hours: M 1-2 PM or by appointment.

Course Web Page: GSU iCollege

Fall 2017: Class meets TR 2:30-3:45 PM in Aderhold 203

Prerequisites: ECON 3900 or ECON 6030 or DSc 8070.

Catalog Description: This course covers the theory of aggregate demand and supply, sector demand functions (consumption, investment, money), equilibrium models, economic growth, inflation, unemployment and expectations, stabilization, and control.

Course Objective: This is a graduate course designed to acquaint the student with developments in macroeconomic theory. Furthermore, the objective is to understand the real-world policy applications of these developments. Ten learning outcomes for the course are listed at the end of this syllabus.

Method of Instruction: ECON 9020 is taught through a combination of lecture, discussion, homework, and examinations. Class interaction allows the students to discover the strengths and weaknesses of alternative policy recommendations.

Texts: The basic textbooks are listed below. These are to be supplemented by class notes and academic papers for which citations are given in the course outline.

1. Mankiw, N. Gregory and Laurence Ball, Macroeconomics and the Financial System, Worth Publishers, 2011. *(Required text. This is an intermediate level text that you will review in the first few weeks.)*
2. Barro, Robert and Xavier Sala-i-Martin. Economic Growth, second edition, MIT Press, 2004. *(Required text).*
3. Ljungqvist, Lars and Thomas Sargent. Recursive Macroeconomic Theory, MIT Press, 2012. *(Recommended text).*
4. Easterly W., The Elusive Quest for Growth. MIT Press, 2001. *(Required text. Why have policy initiatives to help developing countries not been very successful? This book has some answers to that question.)*

Grading Policy: The course grade will be decided based on homeworks (20%), quizzes (10%), the midterm exam (30%), and the final exam (40%). Each exam is out of 100 points. Periodically, homework sets will be distributed. These are a very important part of learning the material. You are allowed to collaborate on homework, but must turn in your own version. You will review the intermediate material in the first four weeks of the course, and there will be weekly quizzes on this material.

To guarantee yourself a particular grade, you must obtain the following percentages of the available points: An “A+” requires at least 96% of total points; an “A” requires at least 92% of total points; an “A-” requires at least 88% of total points; a “B+” requires at least 85% of total points; a “B” requires at least 82% of total points; a “B-” requires at least 78% of total points; a “C+” requires at least 75% of total points; a “C” requires at least 72% of total points; a “C-” requires at least 68% of total points; a “D” requires at least 58% of total points; less than 58% of points is fail. Course grades will be determined strictly on the basis of cumulative points. **There will be no exceptions to this grading scheme (no extra credit, no ignoring test scores, no additional weight given for improvement).**

Students are responsible for the information contained in the Academic Honesty policy found in the Graduate Catalog (http://www.gsu.edu/es/catalogs_courses.html).

The exam dates are:

Midterm: Tuesday, October 3

Final: Thursday, December 7, 1:30 PM – 4:00 PM

The course outline below provides a general plan for the course; deviations may be necessary.

Course Outline

Module1: Reviewing the Foundations/Data/Major Issues in Macroeconomics

I. Introduction

- A. The 4 Central Problems of Macro
- B. Data and National Income Accounting
Mankiw and Ball, chaps. 1-3.

II. Money, the Open Economy, Unemployment

- A. Money and Inflation
Mankiw and Ball, chap 4
Friedman, Milton and A. Schwartz (1963)
- B. The open economy
Mankiw and Ball, chap 5
- C. Unemployment
Mankiw and Ball, chap. 6

III. The Economy in the Short Run

A. The Keynesian Approach

1. Aggregate expenditures, IS/LM, unemployment-inflation tradeoff
Mankiw and Ball, chaps. 9-11

2. Open economy Mundell-Fleming Model

Mundell, Robert (1968)

Mankiw, chap 12

3. Lucas Critique

Lucas, Robert (1976). "Econometric Policy Evaluation: A Critique." *Carnegie-Rochester Conference Series on Public Policy* 1: 19–46.

B. Aggregate Supply, Stabilization Policy

Lucas, Robert. "Some International Evidence on Output-Inflation Tradeoffs," *American Economic Review* 63 (June 1973): 326-334.

Mankiw and Ball, chaps. 12, 13

Module 2: Economic Growth

IV. Economic Growth Theory

A. Growth Models with Exogenous Saving Rates (the Solow-Swan Model)

Barro and Sala-i-Martin, chapter 1

Mankiw and Ball, chapter 7, 8

B. Growth Models with Consumer Optimization (the Ramsey Model)

Barro and Sala-i-Martin, chapter 2

C. Extensions of the Ramsey Growth Model

Barro and Sala-i-Martin, chapter 3

D. One-Sector Models of Endogenous Growth

Barro and Sala-i-Martin, chapter 4

Romer (1986)

E. Two-Sector Models of Endogenous Growth (with Special Attention to the Role of Human Capital)

Barro and Sala-i-Martin, chapter 5

V. Economic Growth Empirics

A. Cross Country Evidence, Convergence

Barro and Sala-i-Martin, chapters 11 and 12

B. Financial Development and Growth

Levine (2005)

Rioja and Valev (2004)

C. Policy prescriptions

Easterly (2001).

D. The Fundamental Causes of Growth

Institutions: Acemoglu, Johnson and Robinson (2002)

Geography: Sachs (2001)

Culture: Guiso, Zapienza, and Zingales (2006)

Module3: Financial Markets

V. The Financial System, Asset Prices, and the Financial Crisis

A. Bond markets, the yield curve

B. Sovereign debt

C. Stock Market

D. Financial Crises

Mankiw and Ball, Chapters 15, 16, and 19

The Shadow Banking System: Gorton (2010)

Module 4: Intertemporal Models and Optimization in Discrete Time

VI. Inter-temporal Models

Two-period model, determinants of the current account and world interest rates

Obstfeld and Rogoff, chaps. 1,2

VII. Dynamic Programming Techniques

A Toolkit for Dynamic Optimization

Value Function, Bellman's equation

Solving for decision rules

Ljungqvist and Sargent, chapters 1 and 3 and class notes.

Learning Outcomes for the course

1. The student should know how key macroeconomic variables like GDP and its components, unemployment, and inflation are defined and measured.
2. The student should know the determinants of the price level in the long-run and the role of money
3. The student should know the determinants of the exchange rate and the trade balance in open economies and how policy can affect these.
4. The student should be able to describe the determinants of the natural rate of unemployment
5. The student should understand and be able to solve various models of economic growth and be able to describe the model's implications for the rate of growth of per capita income and for convergence.
6. The student should know how income, interest rates, and other macro variables are determined in IS-LM models of closed, small-open, and large-open economies.
7. The student should be able to understand and describe how Aggregate Demand and Aggregate Supply determine equilibrium price and output in the short-run and long-run.
8. The student should be able to understand and describe the concepts, tools, and implementation of fiscal policy, monetary policy, and trade policy; their limitations and relative advantages and disadvantages, and how they affect aggregate economic activity.
9. The student should be able to understand and describe the arguments pro and con for a policy of laissez-faire versus government activism in the management of macroeconomic policies.
10. The student should be able to use and solve intertemporal models of the macroeconomy and understand these models' advantages over their static counterparts in analyzing concepts like social security, the current account, and government de