Macroeconomics
ECON 8110

Instructor: Dr. Felix Rioja
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Office Hours: M 1-2 PM or by appointment.
Course Web Page: GSU iCollege
Fall 2017: Class meets Tuesday 4:30 PM - 7 PM in Langdale 305.

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 8110 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)*

2. Easterly W., The Elusive Quest for Growth. MIT Press, 2001. *(Required text)*

3. Obstfeldt, M. and K. Rogoff. Foundations of International Economics. MIT Press 1996. *(We will cover some material from this text, but purchase is not required)*

Attendance: I will take roll every class. Attendance is mandatory. If you must miss a class, please let me know ahead of time (or asap). University policy states that all instructors must, on a date after the mid-point of the course (to be set by the Provost),
1. Give a WF to all those students who are on their rolls, but no longer taking the class; and
2. Report the last day the student attended or turned in an assignment

Grading Policy: The course grade will be decided based on homeworks (15%), quizzes (10%), the midterm exam (30%), and the final exam (45%). 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. Late homeworks will be penalized 5 points for each day that they are late.

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: Tuesday, December 12, 4:15 PM – 6:45 PM

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

Course Outline

I. Introduction

A. The 4 Central Problems of Macro

B. Data and National Income Accounting
Mankiw and Ball, chaps. 1-3.

II. Growth Theory: The very long run

A. The Solow-Swan growth model

Solow, Robert. "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics* (February 1956):65-94.
Mankiw and Ball chap. 7

B. Endogenous growth models
Romer, Paul. "Increasing Returns and Long Run Growth," *Journal of Political Economy* 94 (October 1986): 1002-1037.
Mankiw and Ball chap. 8

C. Policy prescriptions
Easterly (2001).

D. The Fundamental Causes of Growth
Acemoglu, Johnson and Robinson (2002), *Quarterly Journal of Economics*, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution"

III. The Economy in the Long Run

A. Money and Inflation
Mankiw and Ball, chap 4
Friedman, Milton and A. Schwartz, *A Monetary History of the United States, 1867-1960* (Princeton University Press, 1963).

B. The open economy
Mankiw and Ball, chap 5

C. Unemployment
Mankiw and Ball, chap. 6
Card, D. and A. Kruger, *Myth and Measurement: The New Economics of Minimum Wage* (Princeton University Press, 1995).

IV. The Economy in the Short Run

A. The Keynesian Approach

1. Aggregate expenditures, IS/LM, unemployment-inflation tradeoff
Keynes, John M. *The General Theory of Employment, Interest and Money*, 1936.
Hicks, John R., "Mr. Keynes and the Classics: A Suggested Interpretation," *Econometrica* 5 (1937): 147-159.
Mankiw and Ball, chaps. 9-11

2. Open economy Mundell-Fleming Model
Mundell, Robert, *International Economics* (New York: MacMillan, 1968)
Obstfeld and Rogoff, chap. 9
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

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

VI. Inter-temporal Models

Two-period model, determinants of the current account and world interest rates
Obstfled and Rogoff, chaps. 1,2

VII. Government Debt and Budget Deficits
A. Government Debt and Budget Deficits

Mankiw and Ball, chap. 14

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