

# Macroeconomics 33040

## Summer 2007

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[Link to Syllabus](#)

[Link to Lecture Notes and Practice Quiz/Answers](#)

[How to access The Economist readings](#)

### Course Outline

The articles listed are required reading. Readings marked with a (\*) can be found in the course pack. All other readings can be found in the online version of the Economist (see course web page for information). Below, I list the tentative schedule of topics. This is the order in which we will be covering material in this class. It is tentative in the sense that some lectures are a little longer and may extend into the following class, while others are shorter, meaning I will introduce a new topic during that week's lecture.

Notice that the MIDTERM will be in lecture 5 (JULY 2nd and 3rd). There will be no class on JULY 12th and 13th. We will recover this class by staying late after the midterm in lecture 5. The FINAL will be on JULY 19th and 20th.

#### LECTURE 1

Part 1: Overview of the Course. Why is macro important? (read pre-course material)

Pre-Course Readings. Goal: To frame the issues of the course via a few short articles from the popular press. We will explore many of the details of these articles throughout the course.

#### I. Overview of Macroeconomics

1. Size Does Matter: In Defense of Macroeconomics\* (Paul Krugman: 7/9/1998)
2. Baby Sitting the Economy\* (Paul Krugman: 8/13/1998)
3. Why Aren't We All Keynesians Yet?\* (Paul Krugman: 8/3/1998)

II. A Brief History of Economic Time: Economic Landscape Late 1990's-2005 (Historical Expansions in U.S.? Depression in Japan? Is China taking over? The New Economy Takes Off? The New Economy Fizzles Out? Soft Landings? U.S. Recessions? A Double Dip? Where's the Jobs? Growth Again? Oil Shocks?)

1. [Work in Progress \(Special: How real is the New Economy?\)](#) (Economist: 7/22/1999)
2. Is the Economy Recession Proof? \* (Greg Mankiw: 2/21/2000)
3. [Soft or Hard](#) (Economist: 4/22/2000)
4. [A Spanner in the Productivity Miracle](#) (Economist: 8/11/2001)
5. [Unwelcome Numbers](#) (Economist: 8/3/2002)
6. [Poised for Growth?](#) (Economist: 6/14/2003)
7. [Losing its Way](#) (Economist: 8/14/2004)
8. [By the Numbers](#) (Economist: 8/13/2005)
9. [Work in Progress \(Survey\): European Business and the Euro](#) (Economist: 11/29/2001)
10. [How China runs the World Economy](#) (Economist: 7/28/2005)
11. [The price of profligacy](#) (survey) (Economist: 9/20/2003)

### III. Thoughts on Alan Greenspan

1. Is Alan Greenspan a Geinus or Just Plain Lucky?\*( Robert Barro: 8/16/1999)
2. A Greenspan Exit Strategy\* (Greg Mankiw: 8/2/1999)
3. [A Very Big Shoe to Fill](#) (Economist: 3/9/2002)
4. [Alan Greenspan Changes Key](#) (Economist: 9/3/2005)

### Part 2: Introduction to Macro Data

- Chapters 1 and 2 from Textbook.

### World Growth Accounting and Business Cycles in the US

- Chapters 6.1 and 6.3 (skip 6.2 - do not worry about the math) from Text
- Chapter 8 from Text
- Ukraine:How Not to Run an Economy\* (Greg Mankiw: 6/12/2000)
- [Economic Growth](#) (Brad De Long)
- [Divining the Future](#) (Economist: 1/15/2005)
- [COURSE NOTES on Real vs Nominal Variables](#)

## LECTURE 2

### Part 1: Aggregate Supply: Production and the Labor Market

- Chapters 3 from Textbook
- Be Productive - Hit the Beach\* (Newsweek)
- [A Strange Recovery](#) (Economist: 8/9/2003)
- [COURSE NOTES on Production](#)

### Growth in the New Economy

- [Productivity on Stilts](#) (Economist: 6/10/2000)
- [Performing Miracles](#) (Economist: 6/17/2000)
- [To These, the Spoils](#) (Economist: 5/11/2002)

- [The New “New Economy”](#) (Economist: 9/13/2003)

## LECTURE 3

### Part 1: Aggregate Demand: Consumption and Investment

- Chapters 4.1, 4.2, Appendix 4.A from Text

#### Consumption/Savings

- How Irrational Is Our Exuberance\* (Greg Mankiw: 4/17/2000)
- [Consumers to the Rescue?](#) (Economist: 4/7/2001)
- [A Future Meltdown?](#) (Economist: 9/4/2004)
- [The Shift Away from Thrift](#) (Economist: 4/9/2005)
- [COURSE NOTES on Consumption](#) (plus [consumption and taxes](#))

#### Investment

- [Investigating Investment](#) (Economist: 7/18/1998)
- [From Investment Boom to Bust](#) (Economist: 3/3/2001)
- [COURSE NOTES on Investment](#)

### Part 2: Fiscal Policy

- Chapter 15 from Textbook

#### Government Savings

- Government Debt: A Horror Story\* (Greg Mankiw: 8/3/1998)
- [Economic Focus: The Red and The Black](#) (Economist: 5/26/2001)
- [A Decade of Deficits](#) (Economist: 6/22/2002)
- [The price of Profligacy](#) (Economist: 1/23/2003)

#### Taxes

- [The Case for Flat Taxes](#) (Economist: 4/16/2005)

#### Supply Side Economics

- [Europe Isn't Working \(Regulation\)](#) (Economist: 4/5/1997)
- Supply-Side Virus Strikes Again\* (Paul Krugman: 8/15/1996)

#### Fiscal Policy in Action

- [Squabbles over the Stimulus](#) (Economist: 10/13/2001)
- Why the War Against Terror Will Boost the Economy\* (Robert Barro: 11/5/2001)

- [COURSE NOTES on Fiscal Policy](#)
- [A decline without parallel](#), The Economist 2/28/02
- [The IMF and Argentina : Whose victory?](#) (Economist: 3/11/2004)

## LECTURE 4

### Part 1: Introduction into Money/Federal Reserve Policy

- Chapters 7, 14.1 and 14.2 from Text

### Monetary Basics

- Some Monetary Facts\* (McCandless and Weber)
- The Importance of an Asymmetric Directive\* (Thornton)
- [Who Needs Money](#) (Economist: 1/22/2000)
- Vulgar Keynesians\* (Krugman)
- [COURSE NOTES on Money](#)

### Monetary Policy In Action

- What the Fed Can't Do\* (Robert Barro: 8/19/1994)
- [A Blunt Tool](#) (Economist: 6/30/2001)
- [Flaring Up](#) (Economist: 4/13/2002)
- [Haughty Indifference or Masterly Inactivity?](#) (Economist: 7/16/2005)
- [COURSE NOTES on the Fed](#)

## MIDTERM (JULY 2nd and 3rd)

### LECTURE 5 (same day as the midterm, make-up for July 12-13)

### Part 1 & 2: A closer look at business cycles ISLM model

Chapters 8-11 from Textbook

[COURSE NOTES on ISLM review](#)

[COURSE NOTES on Historical examples using ISLM](#) (and [additional government expenditure example](#))

### A Look at Recessions

- Even Fed's Greenspan is Fallible When Trying to Predict a Recession\*
- [The Kiss of Life?](#) (Economist: 4/21/2001)

### Why We Care about Inflation

- A Good Word for Inflation (the benefits of inflation?)\* (Krugman)

- [Loads of Money \(German Hyperinflation\)](#) (Economist: 12/31/1999)

Should We Care About Deflation?

- Should Greenspan Be Worrying About Deflation?\*(Greg Mankiw: 12/7/1998)
- [Hear that Hissing Sound?](#) (Economist: 5/17/2003)

Shifts in Aggregate Supply: Technology Shocks

- [A Thinkers' Guide](#) (Economist: 4/1/2000)

Shifts in Aggregate Supply: Oil Shocks

- [How Shocking?](#) (Economist: 9/23/2000)
- [Unstoppable?](#) (Economist: 8/21/2004)
- [Counting the Cost](#) (Economist: 8/27/2005)

## LECTURE 6

Part 1: The US current account deficit

- ["Figures to fret about,"](#) The Economist 7/11/98
- Current Accounts: [Can they Achieve Sustainability](#); Rosa-Suarez, Liliana; Ghezzi, Piero; Global Markets Research. Online; Deutsche Bank.
- ["America's deficit and the dollar "](#); Economics focus; The Economist; Nov 29, 2003

From policymakers:

- [Global Current Account Imbalances: Hard or Soft Landing?](#) Raghuraj Rajan, Director of Research, March 15, 2005.
- [Current Account](#), Alan Greenspan, Chairman Federal Reserve Board, February 4, 2005.
- [The Global Saving Glut and the US Current Account Deficit](#), Ben Bernanke, Federal Reserve Governor, March 10, 2005.
- [The Economic Report of the President](#), February 2004.

## LECTURE 7

Part 1: The US current account deficit (continued)

Part 2: A framework for Fiscal and External Sustainability

## LECTURE 9

Part 1: The Euro Area

- ["Germany's euro test"](#), The Economist 6/14/03
- ["The euro, trade and growth"](#), The Economist 7/12/03

- "Euro-zone Economy Labors under Host of Factors", WSJ 5/19/03 (in course package)
- ["The Perils of Convergence"](#), The Economist 4/5/03
- [The Euro and its Trouble](#) (Economist: 6/11/2005)
- ["Monetary Policy in a world of Mobile Capital"](#) Ben Bernanke, Cato Journal Winter 2005.

FINAL EXAMS: JULY 19th and 20th