

Wesleyan University

ECON 302-01: Macroeconomic Analysis

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Spring 2017, TR 01:20-02:40, PAC 001
Office Hours: T 3:00-4:00, R 10:30-11:30,
or by appointment

Macroeconomics is the study of aggregate economic variables (output, prices, unemployment, and investment) and their interactions. In this class, we will focus on two key topics: (i) explaining business cycles in the short and medium run, and (ii) the sources of economic growth over longer periods of time. Over the course of the semester, we will develop a general theoretical framework based on a synthesis of both classical and Keynesian economics. In the process, we will evaluate recent domestic and international economic events.

Prerequisites

Economics 110 and Economics 300. This class requires familiarity with basic microeconomic concepts such as utility and profit maximization. We will also regularly use algebra and calculus.

Course Materials

Textbook: Olivier Blanchard and David R. Johnson, *Macroeconomics*, 6th edition (ISBN: 9780133061635).

Moodle: I will post additional readings and other course materials (problems sets, practice exams, etc.) on our Moodle course site during the semester.

In addition to completing the readings for the class, I also require you to follow current macroeconomic events. Good sources of macroeconomic news are *The Economist*, *The Wall Street Journal*, the *Financial Times*, or the business section of *The New York Times* (or a newspaper of similar standing). This is a good way to experience macroeconomics 'in action' and to apply the concepts you learn in class to the real world. You can find links to current subscription offers on the Moodle course site.

Course Requirements

There will be two in-class non-comprehensive midterms and a comprehensive final exam, plus regular problem sets. The weights of the different elements for the final course grade are:

- Problem sets (10%): There will be six problem sets over the semester. Each of them will be assigned one week before the due date. Problem sets are due in class. If you cannot make it to

class, you need to contact me and leave your problem set before class in my mailbox in the Economics department (PAC 123). Late problem sets will not be accepted, and no extensions will be granted. You are encouraged to work together on the problem sets. However, I require an individual write-up by each student.

- Midterm 1 (25%): tentatively scheduled for Thursday, February 23.
- Midterm 2 (25%): tentatively scheduled for Tuesday, April 11.
- Final exam (35%): Thursday, May 18, 9-11am.
- Class participation (5%): I highly value class participation and encourage you to raise questions and to comment on level, pace and the content of the course during the semester. In addition, I will frequently open up topics for discussion. General guidelines for your class participation grade: frequent absences (or tardiness): *C*, demonstration of good understanding of material through occasional participation in class discussion: *B*, frequent participation in class discussion and raising insightful questions: *A*.

Class Organization

You are responsible for completing all assigned readings before coming to class. In the lectures, we will frequently extend the material beyond what you find in the textbook. Prior familiarity with the assigned readings is therefore essential to follow the presented material.

In order to not divert my or the attention of your classmates, the use of computers, cell phones and other electronic devices is not permitted during class time.

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in and benefit from its programs and services. To receive accommodations, a student must have a documented disability as defined by Section 504 of the Rehabilitation Act of 1973 and the ADA Amendments Act of 2008, and provide documentation of the disability. Since accommodations may require early planning and generally are not provided retroactively, please contact Disability Resources as soon as possible. If you believe that you need accommodations for a disability, please contact Dean Patey in Disability Resources, located in North College, Room 021, or call 860-685-5581 for an appointment to discuss your needs and the process for requesting accommodations. For more information, see also: <http://www.wesleyan.edu/studentaffairs/disabilities/Student/index.html>

Grading and Exams

Midterm exams will not be given at any other times during the term. In case you miss a midterm exam due to illness or another serious emergency, the weight for your final exam will be increased accordingly. If you are not able to make it to an exam due to a serious reason, you have to contact me on the same day and explain what happened. In any case you will have to show proper valid documentation as soon as possible after the missed exam, such as a doctor's note.

In case you believe a grading mistake has been made on a problem set or exam, you may submit a written request for a re-grade within one week after the exam was returned.

Honor Code

I expect you to adhere to the Wesleyan University Honor Code (<http://www.wesleyan.edu/studentaffairs/studenthandbook/StudentHandbook.pdf>). All submitted work, whether it is an exam or problem set, must be your own. Although I encourage you to work together on problem sets, I require an individual write-up by each student and I will not tolerate if you copy others' work. Any academic dishonesty will be reported to the Vice President for Student Affairs and the Student Honor Board.

Tentative Course Schedule*

Class	Date	Chapter	Topic	Notes
1	01/26		I. Introduction	
2	01/31	2		
3	02/02	2/3		
4	02/07	3	II. The Short Run	
5	02/09	4		Problem Set 1 due
6	02/14	4/5		
7	02/16	5/6	III. The Medium Run	
8	02/21	6		Problem Set 2 due
Midterm 1	02/23			
9	02/28	7	III. The Medium Run	
10	03/02	7		
11	03/07	8		
12	03/09	8/9	IV. The Open Economy	Problem Set 3 due
13	03/28	9		
14	03/30	18		
15	04/04	18/19	IV. The Open Economy	
16	04/06	19		Problem Set 4 due
Midterm 2	04/11			
17	04/13	20	V. The Long Run	
18	04/18	20/21		
19	04/20	21		
20	04/25	10	V. The Long Run	Problem Set 5 due
21	04/27	11		
22	05/02	11		
23	05/04	12	V. The Long Run	
24	05/09	12		Problem Set 6 due
Final Exam	05/18			9-11am

*Subject to change. Check regularly for an updated version on Moodle.

Additional Readings (all available on Moodle): * indicates required reading

I. Introduction

Chapter 2:

**The Economist*, “How Countries Calculate Their GDP,” March 26, 2014.

<http://www.economist.com/node/21599744>

*Irwin, Neil, “You Can’t Feed a Family with G.D.P.” *New York Times*, September 16, 2014.

<http://nyti.ms/1uEdjFP>

*Samuelson, Robert, “Not Your Grandpa’s Inequality,” *Washington Post*, June 1, 2014.

<http://wapo.st/1rzZtFm>

Leonhardt, David, “Life Is Better; It Is Not Better. Which Is It?” *New York Times*, September 20, 2006.

<http://www.nytimes.com/2006/09/20/business/20leonhardt.html>

II. The Short Run

Chapter 3:

*Ball, Laurence, Leigh, Daniel and Loungani, Prakash (2011), “Painful Medicine,” *Finance & Development*, September: 20-23.

The Economist, “Fiscal Multipliers: Where Does the Buck Stop?,” August 13, 2016.

<http://www.economist.com/node/21704784>

Chapter 4:

**The Economist*, “Supersize Me,” May 17, 2014.

<http://www.economist.com/node/21602271/>

Chapter 5:

*Ip, Greg, “Don’t Celebrate the End of Austerity,” *Wall Street Journal*, January 1, 2016.

<http://www.wsj.com/articles/dont-celebrate-the-end-of-austerity-1452101357>

Krugman, Paul, “Dare To Be Silly,” *New York Times*, March 26, 2014.

<http://nyti.ms/1hsfnXH>

III. The Medium Run

Chapter 6:

*Bureau of Labor Statistics, “How the Government Measures Unemployment – Where Do the Statistics Come From.”

http://www.bls.gov/cps/cps_htgm.htm#where

*Leubsdorf, Ben, “The Hurdles to Getting U.S. Workers Off the Sidelines,” *Wall Street Journal*, March 6, 2016.

<http://on.wsj.com/1Uluw58>

Chapter 7:

**The Economist*, “How Long Will the Expansion Last?” August 16, 2014.

<http://www.economist.com/node/21612168/>

Krugman, Paul (2000), “How Complicated Does the Model Have To Be?” *Oxford Review of Economic Policy*, 16(4): 33-42.

Chapter 8:

*Leubsdorf, Ben, “The Fed Has a Theory. Trouble Is, the Proof Is Patchy,” *Wall Street Journal*, August 23, 2015.

<http://on.wsj.com/1N4Thzd>

Ball, Laurence and Mankiw, N. Gregory (2002), “The NAIRU in Theory and Practice,” *Journal of Economic Perspectives*, 16(4): 115-136.

Chapter 9:

**The Economist*, “The Origins of the Financial Crisis: Crash Course,” September 7, 2013.

<http://www.economist.com/node/21584534/>

Krugman, Paul, “How Did Economists Get It So Wrong?” *New York Times Magazine*, September 2, 2009.

http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?_r=0

IV. The Open Economy

Chapter 18:

*Irwin, Neil, “What a Stronger Dollar Means for the Economy,” *New York Times*, January 5, 2015.

<http://nyti.ms/1vVMMkt>

Chapter 19:

*Back, Aaron, "Waiting to Ride Japan's Export Curve," *Wall Street Journal*, March 11, 2014.
<http://online.wsj.com/news/articles/SB10001424052702303795904579432211509239216>

Hannon, Paul "Why Weak Currencies Have a Smaller Effect on Exports," *Wall Street Journal*, December 27, 2015.
<http://www.wsj.com/articles/why-weak-currencies-have-a-smaller-effect-on-exports-1451243289>

Chapter 20:

*Stone, Mark, Anderson, Harald and Veyrune, Romain (2008), "Exchange Rate Regimes," *Finance & Development*, March: 42-43.

**The Economist*, "Daily Chart: Pegger Thy Neighbour," January 30, 2015.
www.economist.com/blogs/graphicdetail/2015/01/daily-chart-17

Chapter 21:

*Friedman, Milton, "The Euro: Monetary Unity to Political Disunity?" *Project Syndicate*, August 28, 1997.
<http://www.project-syndicate.org/commentary/the-euro--monetary-unity-to-political-disunity>

Krugman, Paul, "Europe's Impossible Dream," *New York Times*, July 20, 2015.
<http://nyti.ms/1fXapJp>

V. The Long Run

Chapters 10-12:

*Fernald, John G. and Jones, Charles I. (2014), "The Future of US Economic Growth," *American Economic Review: Papers & Proceedings*, 104(5): 44-49.

*Mankiw, N. Gregory, "One Economic Sickness, Five Diagnoses," *New York Times*, June 17, 2016.
<http://nyti.ms/24VNIwL>

Romer, Paul (1994), "The Origins of Endogenous Growth," *Journal of Economic Perspectives*, 8(1): 3-22.