ECON 243: **Intermediate Macroeconomic Theory II**

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Spring 2021

*"Between a good and a bad economist this constitutes the whole difference —
the one takes account of the visible effect; the other takes account both of the
effects which are seen, and also of those which it is necessary to foresee..."*
–Frederic Bastiat (1850)

Credit hours: 3
Prerequisites: The student is expected to be familiar with calculus and to have taken
ECON 101 or 103, ECON 102, 104 or HSSS 102, MATH 111 and 112, and ECON 241.
Class schedule: Tuesdays and Thursdays, 9:40-10:55am (Hannan 103)
Office hours: Mondays at 4pm or by appointment

1   Course Description

Macroeconomics is concerned with the "big" questions in economics. Adam Smith's seminal
question was a macroeconomic question: Why are some nations rich and others poor?

Macroeconomics, unlike microeconomics, is a field with little consensus. What is agreed
upon is that macroeconomic phenomena like growth, inflation, and employment arise as
(unintended) consequences from human decision-making. The complexity of macroeco-
nomic phenomena has led economists to rely on simplified models. These models are
useful and necessary for making sense of an entangled world.

The first half of this course will establish the major aggregate concepts in macroeco-
nomics and their foundations in human decision-making. The second half will use these
concepts to explore the various explanations of growth and business cycles. Throughout,
the art of using models in economic science will be emphasized. You should understand
the assumptions underlying each model, and the limitations of alternative explanations.

At the end of the course, you should be capable of comprehending and participating in the great conversation about macroeconomics, which traces back at least to the School of Salamanca (1483).

2 Course and Student Goals

At the end of the course, students should be able to:

- Understand, evaluate, and analyze the main macroeconomic variables.

- Understand the nature and limitations of economic models.

- Apply macroeconomic theories to policy discussions.

- Communicate economic ideas to a broader audience.

3 Required Texts

The following books are required for this course:

1. Mankiw, N. G. (2015.) *Macroeconomics*, 9th edition.

2. Snowden and Vane. (2005.) *Modern Macroeconomics.*

All other readings will be provided on Blackboard.

4 Course Requirements

The final grade for this course will be based on the following items and corresponding weights:

Assignment	Weight
Midterm Exam	30%
Final Exam	30%
Reflection Papers	20%
Semester Paper	20%

- **Reflection papers**: Before midnight each Monday, I ask that you submit a 1-page paper through Blackboard on the readings we will cover in class that week. These may discuss things that stood out to you, provide a summary of the readings, or especially, contain questions that arise.

- **Semester paper**: You will select one of the schools of macroeconomic thought and make the case that it contains the proper theories needed for policy responses to a pandemic. You must read and cite the chapter in Snowdon and Vane (2005) that corresponds to your school. Near the end of the semester, you will be required to peer review each other's drafts in class. Late assignments will not be accepted.

You are expected to attend each online class with your video on and be prepared to contribute. Students who do miss an occasional class are responsible for getting the notes and finding out what they missed, including any pertinent announcements and/or homework assignments.

5 Academic Policies

5.1 Academic Honesty

The university's policies and procedures for academic integrity may be found here:
http://policies.cua.edu/academicundergrad/integrityfull.cfm
http://policies.cua.edu/academicundergrad/integrityprocedures.cfm

The policy states: "The following are the major categories of academic dishonesty:
A. Plagiarism is the act of presenting the work or methodology of another as if it were one's own. It includes quoting, paraphrasing, summarizing or utilizing the published work of others without proper acknowledgment, and, where appropriate, quotation marks. Most frequently, it involves the unacknowledged use of published books or articles in periodicals, magazines, newspapers and electronic media. However, any unacknowledged use of another's words, ideas or electronic processes constitutes plagiarism, including the use of papers written by other students, oral presentations, interviews, radio or TV broadcasts, any published or unpublished materials (including Web-based materials, letters, pamphlets, leaflets, notes or other electronic or print documents), and any unauthorized or inadequately credited use of foreign language, scientific and/or mathematical calculation and/or modeling programs or online services.
B. Improper use of one's own work is the unauthorized act of submitting work for a course that includes work done for previous courses and/or projects as though the work in question were newly done for the present course/project.
C. Fabrication is the act of artificially contriving or making up material, data or other information and submitting this as fact.
D. Cheating is the act of deceiving, which includes such acts as receiving or communicating or receiving information from another during an examination, looking at another's examination (during the exam), using notes when prohibited during examinations, using electronic equipment to receive or communicate information during examinations, using any unauthorized electronic equipment during examinations, obtaining information about

the questions or answers for an examination prior to the administering of the examination or whatever else is deemed contrary to the rules of fairness, including special rules designated by the professor in the course.

E. Attempts to engage in any of the conduct described above or the facilitation of any of this conduct by another individual will be treated as conduct constituting academic dishonesty for purposes of this policy."

5.2   Make-Up Policy

Students will not be allowed to take an exam in advance of its scheduled date. A student who misses a test will be allowed to write a make-up test only if s/he provides a relevant medical certificate. Late assignments will not be accepted, no extensions are granted.

5.3   Campus Resources for Student Support

Any student who feels she/he may need an accommodation based on the impact of a disability should contact the instructor privately to discuss specific needs. Please contact Disability Support Services (202-319-5211, Room 207 Pryzbyla Center) to coordinate reasonable accommodations for students with documented disabilities. To read about the services and policies, please visit the website: `http://disabilitysupport.cua.edu.`

6   Health Protocol

In the event of my becoming ill, weekly course readings and Blackboard paper submissions will continue as planned. All lecture slides will be posted on Blackboard before the first day of the course, so students will be able to access them as needed throughout the entirety of the semester. Insofar as I am able, I will continue online lectures. If I do become too sick to teach the material in any meaningful way, recorded lectures from last semester will be assigned to substitute and grades will be assessed with an awareness of this fact.

7   Assessment

The grading applied to this class is as follows:

A: 96-100	C+: 71-75
A-: 91-95	C: 66-70
B+: 90-86	C-: 60-65
B: 81-85	D: 55-59
B-: 76-80	F: 54-0

Course Outline and Readings

Unit	Dates and Topics	Readings for the Unit
1	**Jan. 26 (online)**: Syllabus **Jan. 28 (online)**: History	• "What Economists Do" (Lucas 2011) • "Introduction" (Snowden and Vane)
2	**Feb. 2 (online)**: Stylized Facts **Feb. 4 (online)**: Classical Growth	• Mankiw: Chapters 1-3 • Smith: *Wealth of Nations* 1, Ch. 3
3	**Feb. 9**: Consumer Theory **Feb. 11**: Investment	• Mankiw: Chapters 16-17 • "Regime Uncertainty" (Higgs 1997)
4	**Feb. 16**: Money **Feb. 18**: Inflation	• Mankiw: Chapters 4-5 • "The Economic Organization of a P.O.W. Camp" (Radford 1945)
5	**Feb. 23**: International Trade **Feb. 25**: Immigration	• Mankiw: Chapter 6 • "Immigrants, Taxes, and Welfare in the United States" (Simon 1984) • "Is Population Growth a Drag on Economic Development?" (Simon 1995)
6	**Mar. 2**: Unemployment **Mar. 4**: Families	• Mankiw: Chapter 7 • "Information Costs, Pricing and Resource Unemployment" (Alchian 1969) • "Families in Macroeconomics" (Doepke and Tertilt 2016)
	Mar. 9: Review **Mar. 11**: Midterm	
7	**Mar. 16**: Solow Growth	• Mankiw: Chapters 8-9

	Mar. 18: Endogenous Growth	
8	**Mar. 23**: Institutions and Growth	• "The Colonial Origins of Comparative Development" (Acemoglu et al. 2001)
	Mar. 25: Institutions and Growth, Pt. II	• "Legal Origins" (Glaeser and Shleifer 2002)
9	**Mar. 30**: IS/LM Model and Business Cycles **Apr. 1**: IS/LM Model and Business Cycles, Pt. II	• Mankiw: Chapters 10-12
10	**Apr. 6**: Monetarism and Business Cycles	• Mankiw: Chapter 13
	Apr. 8: Structure of Capital	• "Time and Money" (Garrison 1498)
11	**Apr. 13**: Real Business Cycles	• "Understanding Real Business Cycles" (Plosser 1989)
	Apr. 15: No class (Undergraduate Research Day)	
12	**Apr. 20**: The Future of Macro	• "Is human trafficking the dark side of economic freedom?" (Heller et al. 2018)
	Apr. 22: Future of Macro, Pt. II	• Romer's Nobel Lecture (video)
12	**Apr. 27**: Paper workshop **Apr. 29**: Review	• Papers due May 4, by midnight
	May 4, 10:15am-12:15pm	Final Exam (online)