Course Objective and Description: The objective of this course is to introduce students to current theoretical and policy issues in macroeconomics. The course will be analytical in nature, focusing on policy implications of both static and dynamic analyses of the commonly used deterministic and stochastic models in the macroeconomics literature. Coverage will include both long-run models of economic growth and short-run models of economic fluctuations. Some of the principle questions we will be concerned with throughout the course include: What determines an economy’s standard of living and growth path? What policy implications follow from our theoretical understanding of the growth process? What determines variables such as interest rates, exchange rates, and the inflation rate? What is the “business cycle?” What can/should a government do when an economy experiences macroeconomic fluctuations? The macroeconomic literature is characterized by an extensive range and complexity of competing models. While a complete presentation of the existing models is beyond the scope of this course, an attempt will be made to introduce students to the principle distinctions between the predominant schools of thought in macroeconomics throughout the course of the semester. In analyzing real world issues, almost all economists are eclectic, drawing on different models for different purposes. Arguably, what makes a good economist (and perhaps more importantly, a good policy analyst and advisor) is an ability to select the appropriate model for the circumstances at hand.

Prerequisites: Intermediate undergraduate microeconomics, multivariate calculus, and linear algebra. Completion of ECON 601 - Microeconomic Analysis, and ECON 611 - Advanced Econometric Methods I or ECON 421 - Introduction to Econometrics, are recommended.

Textbooks: The required text for the course is N. Gregory Mankiw’s Macroeconomics. For those students who intend to concentrate their elective courses in an area related to macroeconomics, a more advanced treatment of the topics covered in the course can be found in David Romer’s Advanced Macroeconomics. Textbook material will be supplemented with outside reading assignments.

Evaluation Procedure: Course grades will be determined in part by a midterm examination and a comprehensive final. Homework problems will also be assigned to assist students in mastery of the course material. You are welcome to work on problem sets together. However, after your discussion, you must write your understanding of the correct answers in your own words and provide your own analysis. Students must also submit a literature review during the course of the semester. The topic must be related to macroeconomics, and cannot be a recycled version of previous work. These reviews constitute an opportunity for you to expand your knowledge of an area of macroeconomics beyond what we are able to cover in class. They are also meant to provide an opportunity for you to hone your synthesis, summary, and writing skills. Tentative exam and due dates are as follows:

“Midterm” Exam: Thursday, March 20
Literature Review: Thursday, April 17
Final Exam: Thursday, May 15, 6-8 p.m.

Grading: Your homework (HW) and literature review (LR) score will count 5% each towards your semester total. Your performance on exams (E) will be gauged by averaging your midterm score (m) and your final exam score (f), the larger counting twice and the smaller once, so that $E = (2\max\{m, f\} + \min\{m, f\})/3$. Thus, your semester total, $T$, will be computed as follows: $T = 0.05(HW) + 0.05(LR) + 0.90(E)$. Semester totals will be subject to the following grade guarantees: A if $t \geq 90$; or $B$ if $t \geq 80$; or $C$ if $t \geq 70$; or $D$ if $t \geq 60$. Actual grade cut-offs may (or may not) turn out to be a bit lower.
Expectations: Students are expected to make a substantial commitment to independent study of the course material. At the undergraduate level, students are typically supposed to spend at least two hours studying outside of class for every hour spent in class. Since this is a graduate level course, this rule represents a lower-bound on the amount of time students should devote to study outside of class. Each week, students should review the previous week’s lecture, and bring any questions or concerns about the material covered to my attention for review. In addition, students should read relevant materials prior to lecture.

Academic Integrity: Academic integrity is of the utmost importance. As members of UMBC’s scholarly community, it is essential for all of us to practice and promote high standards of thoughtfulness and honesty in our work. I will do my best to foster a classroom environment consistent with achieving these aims, and expect the same of you. Violations - including, but not limited to, cheating, fabrication, facilitating academic dishonesty, and plagiarism - will be punished in accordance with university policy and procedures.

Course Outline:

0. Introduction: The Science and Data of Macroeconomics (on your own)
   Mankiw, chapters 1 and 2.

I. The Economy in the Long Run
   A. Saving and Investment; Mankiw, chapters 3, 16, and 8.
   B. Economic Growth; Mankiw, chapters 4 and 5.
   C. Unemployment and Money and Inflation; Mankiw, chapters 6 and 7.

II. The Economy in the Short Run
   A. The Keynesian Model; Romer’s notes.
   B. The Real Business Cycle Model; Mankiw, chapter 19 and class notes.
   C. Microeconomic Foundations of Incomplete Nominal Adjustment; Mankiw, chapters 13 and 19.

III. (Time permitting,) More on ...
   A. Consumption and Investment; Mankiw, chapters 16 and 17.
   B. Money Supply and Money Demand; Mankiw, chapter 18.
   C. Macroeconomic Policy Debates; Mankiw, chapters 14 and 15.

Course Content Comment: The outline above lists the chapters from the Mankiw text that are most closely related to the material we will cover in class. Additional readings will be assigned to supplement this material and our discussions in class throughout the semester. These readings will generally be applied in nature and/or policy-oriented. I am not aware of a textbook that is really suitable for a course like this one. The Mankiw book is an undergraduate text. The presentation there is not quite sufficient for our purposes. From a policy application perspective, the material it contains is quite adequate - one often doesn’t need ‘fancy’ math for such things. Indeed, a sound understanding of basic economic principles are often one’s best guide in policy matters. However, as future policy analysts, you may find yourselves having to delve into the academic literature on occasion. As such, it is important that you are exposed to some of the tools and more intricate models that you will run into there. The Romer book is good in this respect since it is a graduate text. However, I have not chosen it as the required text for the course since it is directed more towards preparing students for life as academic researchers than as policy analysts. Working our way through the Romer book would mean either grinding through a fair amount of “technical” detail or skipping a fair amount of the book’s content. The textbook that lies in between Mankiw and Romer, which is just what we need, has yet to be written as far as I know. So, what I plan to do is use Mankiw as a baseline text. Since it is written at the undergraduate level, it should prove easy reading for you. I will supplement that material with more advanced items whenever possible, and whenever the benefit of new and interesting conclusions appear to warrant the cost of a more careful treatment.

Other Items: If you think you are having any problems with the course, or if you feel like you are getting lost at any time, please come see me as soon as possible. In addition, keep in mind that while there is specific material that we need to cover to fulfill the course objectives, we can certainly deviate from the above outline on occasion. If there are any topics or issues not listed above that you would like to discuss, or if you have any questions, please just let me know and I will try to adjust our schedule accordingly.