Economics 407: Topics in Macroeconomics
Winter Quarter, 2014

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Course Objectives: The primary purpose of this course is to examine various macroeconomic schools of thought. Primarily, we will focus on 20th century macroeconomics beginning with classical theory and then following progress through Keynesianism, monetarism, new classical, real business cycle, and new Keynesianism. Because many students have been introduced to Keynesianism in their 207 or 307 course, this class will spend a majority of time on macroeconomic thought developed after the 1960s and continuing into the 21st century. Secondary objectives include introducing students to academic journal articles, interpreting and applying macroeconomic models, and evaluating economic theories in light of data.

Resources: No textbook is required for this class. N. Gregory Mankiw’s intermediate level text, Macroeconomics (6th edition), will serve as a good resource for students. We will discuss some material covered in this text however a majority of material covered will derive from lecture. Further, some journal articles have been assigned to each section; when possible, these will be posted on my webpage. I maintain a website on which I will post class notes, homeworks, and answers to those homeworks. The posted class notes are not a complete set of notes but instead will be posted when the math in class becomes difficult to follow.

Course Outline: The preliminary reading assignments and course outline are as follows:

0. The Core of Practical Macroeconomics
   “The Macroeconomist as Scientist and Engineer”, N. Gregory Mankiw.

I. Macroeconomics Schools of Thought
   A. Classical Macroeconomics
   
   B. Keynesian Macroeconomics
      IS/LM from Mankiw’s Macroeconomics textbook chapters 9, 10 and 11.

   Interlude #1: Expectations and the Phillip’s Curve
      Mankiw’s Macroeconomics textbook pp. 385-397 or Blanchard Macroeconomics textbook chapter 8.

   C. Monetarism
Interlude #2: Life-Cycle Theory and the Permanent Income Hypothesis


2. Ricardian Equivalence
Mankiw’s Macroeconomics textbook pp. 431-453 or Blanchard pp. 563-573.


3. Savings Rates

Interlude #3: The Leisure-Labor Tradeoff

D. New Classical Macroeconomics

E. New Keynesianism
Mankiw’s Macroeconomics textbook pp. 537-544 or Blanchard p. 588.


F. Real Business Cycles
Mankiw’s Macroeconomics textbook pp. 528-537 or Blanchard pp. 587.


II. Selected Topics in Macroeconomics

A. Monetary Policy

1. Rules versus Discretion
Mankiw’s Macroeconomics textbook pp. 415-425 and 428-430.

2. Channels of Monetary Policy


B. Models of Coordination Failure
Mankiw’s *Macroeconomics* textbook pp. 539-541.

C. Measurement Issues in Macroeconomics
   1. Labor

   *“Commentary” by Randall Wright, Federal Reserve Bank of St. Louis Review, July/August 2005.

   2. Potential GDP

VII. Conclusion
Read the series, “Is there a Core of Practical Macroeconomics?”
   “Is There a Core of Usable Macroeconomics We Should All Believe In?” by Robert Solow.


   “Some Thoughts on Practical Stabilization Policy,” by Martin Eichenbaum.

   “Is There a Core of Practical Macroeconomics that We Should All Believe?” by Alan Blinder.

   “Is There a Core of Usable Macroeconomics,” by Olivier Blanchard.

* Indicate optional articles which we will use if time avails itself.

**Comments:** As with intermediate macroeconomics, some basic skills will help you succeed in this class. First, macroeconomic theory is typically discussed in terms of mathematical models. I assume that each student has a working knowledge of algebra and differential calculus. Of special importance in this class will be the partial derivative. If this term is not familiar to you, please look it up in your calculus textbook and then come ask me questions during office hours. Secondly, as mentioned above, this course does not have a textbook. I understand the temptation to fall behind readings, especially when those readings are not in the order of a standard text. Please, do your best to resist this temptation. The reading list is an ambitious one. In many cases, I expect students to read this material more than once—it is not easy to understand once nor do I expect students to do so on their first read through. Rather, I expect students to read the material before class, pay careful attention to lecture, ask questions about the readings and lectures, and then re-read the papers. In short, I view this class as a mixture of seminar style discussions of readings and lectures. You will get the most out of this class by reading ahead of time, struggling with the material on your own, and then coming to class prepared to discuss and ask questions regarding the material.

**Grading and Assessment:** Your assessment in this class is directly related to your ability to meet this course’s objectives; that is you ability to interpret the models presented in class, apply them to current or historical macroeconomic situations, and to place them in the historical context of their development. There will be one midterm, homework, and a final. I envision the homeworks to be periodic, comprehensive problem sets and activities that may be done individually or in groups up to four people. You can expect around 4 or 5 homeworks this quarter. The midterm will likely occur
after Interlude #2. The final exam will occur during your university scheduled time during finals week. Because of the nature of the material presented, the final exam will be a comprehensive exam. All exams will cover reading materials, homework sets, and lecture notes.

Classroom discussion of topics and current economic events is highly encouraged. Although not directly computed in your grade, students who positively participate in class may have their final grade improved above what the numerical calculation would suggest.

Grade weights are as follows:

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<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Midterm</td>
<td>30%</td>
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<tr>
<td>Homework</td>
<td>30%</td>
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<tr>
<td>Final Exam</td>
<td>40%</td>
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**Disability Services:** Students with learning disabilities are encouraged to contact Student Support Services at 650-3844 if they desire testing accommodations for this class.

**Classroom Dishonesty:** Cheating on American campuses has become a common event. Surveys indicate that more than 80% of college graduates have cheated at least once during their tenure in higher education. Cheating is not a victimless crime. Grades earned through illegitimate means reduce the value of grades earned by honest students. Therefore, students caught cheating will immediately be failed from my course. For more information regarding Western Washington University’s Academic dishonesty policy, please review the current Academic catalog, Appendix D.

**Note on Travel:** I have been invited to present a paper at the meetings of the American Education Finance Policy meetings during March 13-15. As a result, we will not hold class or office hours the Wednesday, Thursday, or Friday of that week.