

ECON 52 - Economic Analysis III (Intermediate Macroeconomics)

Syllabus - Spring 2018

Professor

Pablo Kurlat (pkurlat@stanford.edu)

Office: Landau Economics 331

TAs

Adem Dugalic (adugalic@stanford.edu)

Pavel Krivenko (pavelkr@stanford.edu)

Yevgeniy Teryoshin (yteryosh@stanford.edu)

Lectures

Tuesdays and Thursdays 1:30 - 3:20 pm at 370-370

Section

TBD

Office Hours

Pablo: Tuesday 3:30 - 5:30 pm in Landau 331

Adem: TBD

Yevgeniy: TBD

Pavel: TBD

Overview

Macroeconomics attempts to explain the evolution of the main economic aggregates over time. We will study the determinants of long-term economic growth, consumption, savings, investment, short-term economic fluctuations, unemployment, inflation and interest rates. We will also study the conduct of fiscal and monetary policy and how those affect macroeconomic outcomes. The emphasis of the course will be on constructing models to think about these questions and contrasting these models with evidence.

Economics Department Common Course Policies

All courses taught at the Stanford Department of Economics are governed by a common set of course management rules. A document explaining these rules is on the Economics Department website at <http://economics/undergraduate/economics-common-syllabus>. Please be sure to read this document in its entirety and, if you have any questions, send an email to both me and Joanne DeMarchena (jdemar@stanford.edu), the undergraduate administrator at the economics department. Note that it is your responsibility to get familiar with these policies, and failure to do so does not constitute grounds for exceptions from these policies.

Prerequisites

- You should have taken ECON 1 plus ECON 50 before you take this class and also have taken MATH 51 or some equivalent maths course as a prerequisite for ECON 50. We will be relying on concepts and techniques from those classes from the beginning, so if there are things you forgot or never learned properly, you will need to review them soon.
- You should know about utility functions, production functions and income and substitution effects.
- In terms of maths, you should be familiar with problems of the form

$$\begin{aligned} & \max_{c_1, c_2} u(c_1, c_2) \\ \text{s.t. } & p_1 c_1 + p_2 c_2 \leq M \end{aligned}$$

meaning that you can solve them, understand what you are doing when you solve them and can interpret the solution.

- I will sometimes ask you to compute numerical examples of models that we work with but I will not assume that you are familiar with any numerical or computational tools, so I will give you guidance on anything that is not straightforward.

Resources

- You should come to class.
- I will use the canvas site to post materials and homework and make announcements so make sure you are registered.

- I have written up class notes for most of this course, adding up to an almost-textbook. They correspond more or less closely with what I'm planning to do in class, and they are free, so that's \$174 that you can spend on something else.
- I recommend that you read the notes *before* coming to class but it's really up to you.
- I will sometimes ask you to read articles or case studies before coming to class. These readings will usually not be very long.
- There are three optional textbooks. I don't like them and my advice is not to buy any of them. They are all less rigorous than we will attempt to be in this course and they use different types of simplifying assumptions. Their main usefulness is if you want to look for alternative ways to look at a question. (Older editions are just as good)
 1. N. Gregory Mankiw, *Macroeconomics*, 8th edition, 2012, Worth. This has nice examples and the explanations are reasonably clear, but some of the discussion of business cycles is a bit old fashioned.
 2. Charles I. Jones, *Macroeconomics* 2e, 2011, W.W. Norton. This textbook has been assigned in past editions of this course so it has the advantage that you might be able to steal it from your roommates. The part on growth is not bad.
 3. Stephen D. Williamson, *Macroeconomics*, 4th edition, 2011. This attempts to be a bit more rigorous but without using too much maths, which can make it a bit obscure.

Topics

We'll spend some of the time thinking about abstract models and some of the time putting them to use to think about real-world questions.

Here's a tentative schedule of when we'll study each topic

Date		Topic	Chapter
Tu	April 3	GDP Accounting	1
Th	April 5	Topic: Are standards of living higher in Europe than in the US?	4
Tu	April 10	Economic Growth - the basic facts	5
Th	April 12	The Solow Growth Model	6
Tu	April 17	Topic: Why are some countries poor and others rich? Topic: Have we recovered from the 2009 recession? Topic: Why is the labor share falling? Topic: Why did the USSR start to catch up to the US and then stop?	7
Th	April 19	Intertemporal choices. Topic: social security	8.1, 8.2, 10
Tu	April 24	The allocation of time	3, 9.1, 9.2, 9.4
Th	April 26	Topic: Why do Americans work harder than Europeans? Topic: What is going on with US workers?	9.3
Tu	May 1	General Equilibrium and the First Welfare Theorem	11
Th	May 3	Topic: How to think about the distant future	
Tu	May 8	Midterm (during class)	
Th	May 10	Money and inflation	2, 12.1, 12.2, 12.4,
Tu	May 15	Topic: The Germany hyperinflation in the 1920s.	
Th	May 17	Business Cycles - the basic facts	14
Tu	May 22	The Real business cycle model	15
Th	May 24	The New Keynesian model	16
Tu	May 29	The New Keynesian model	17
Th	May 31	Topic: the Great Depression in the 1930s	
Tu	June 5	Topic: Fighting inflation in the 1980s	
Fr	June 8	Final Exam (12:15-3:15 pm)	

Assignments and Grading

Problem Sets

- There will be 6 Problem Sets.
- In each Problem Set there will be a couple of questions that will be relatively direct applications of what we did in class and a couple of questions that ask you to think about problems we have *not* talked about in class. The Problem Sets are designed to be pretty difficult and sometimes quite long.
- You will have about a week to complete each Problem Set.

- You are strongly encouraged to discuss the problem sets with each other and/or work in groups but *not* to just copy off of someone else's work.
- Your best 5 scores from the Problem Sets of them will count towards your final grade. If you miss one Problem Set that's fine, but then the other 5 will be the ones that count.

Exams

- There will be a Midterm Exam on May 8 in class and a Final Exam on June 8. The Midterm will cover material up to May 3 and the Final will be comprehensive.

Grading

- The weights to determine your course grade will be:

Problem Sets	25%
Midterm	25%
Final	50%