ECONOMICS 502

Boston University **Macroeconomics** **Spring 2018**

Class Time : Tuesday, Thursday 9:30 – 10:45 a.m.
Room : EPC 205

Instructor : Andre Switala
Office : Economics Department, Room 434
Office Hours : TBA and by appointment
Phone : Office: (617) 358-2604, Cell: (401) 215-4469 (incl. Text or iMessage)
Email : switala@bu.edu *(preferred)* – please put EC502 in the subject line!

TA : Zhouxiang (Alex) Shen
Discussion : Fridays 2:30 – 3:45 p.m. in EPC 205 (optional but recommended)
Office Hours : Wednesdays 10 a.m. – 12 p.m.
Office : Economics Department room B17
Email : zxshen@bu.edu

Course Description

Macroeconomics is the part of Economics that studies the economy as a whole. This course explores theoretical and empirical issues of central importance to macroeconomic research and policy. The major topics covered in this course include economic growth, consumption and savings, investment, business cycle fluctuations, the relationship between monetary policy and output, and optimal monetary policy.

Readings:

Readings include selected chapters from the textbooks, class notes and original research articles.

Recommended:

(1) "Advanced Macroeconomics" 4th ed. by David Romer, McGraw-Hill
This books is an advanced treatment primarily meant for Ph.D. students. We will use some of the chapters and it will often be referenced as a supplementary reading.
(2) "Introduction to Economics Growth" 3rd ed. By Charles I. Jones and Dietrich Vollrath, W.W. Norton
This book will be used heavily for the economic growth portion of the course.

There are a number of intermediate-level textbooks out there that can be useful to review some of the basic concepts that you may have forgotten about. Those are not required but you may find them useful, for example "Macroeconomics" by Olivier Blanchard, Pearson or "Macroeconomics" by Abel, Bernanke and Croushore (Addison Wesley)

Course Website

A course website is provided through BU learn. On this website I will post

- this syllabus
- any announcements pertaining to the course

- problem sets and solutions
- lecture slides or notes
- any additional readings or articles of interest.

Course Grading

Course grades will be based on student's performance in three categories. Those categories and the weights attached to each of them are:

Problem Sets	: 30% (6 Problem Sets, 5% each)
Midterm	: 30%
Final Exam	: 40%

The **midterm** will take place during the regular class time and is therefore a 75 minute exam. It is currently scheduled for **Thursday, March 1st**. The Midterm will cover material through lecture 10. The final exam is scheduled for **Tuesday, May 8th from 9:00 to 11:00 a.m**. The final exam is comprehensive and will cover all chapters covered in class.

Homework Goals and Policy:

You are encouraged to work in groups and should indicate on your problem sets the names of other students you worked with. However, every student should hand in their own written or typed solution. This policy should not be understood as an incentive to simply copy the solution from one of your classmates. Working on and thinking about the homework solutions on your own first will be an important determinant of your success in the exams and the entire course.

Homework will simply be graded as ✓+, ✓, ✓- or 0, but if you make an effort to answer every problem you will get at least a ✓. It is important that you tackle each problem and it is less important that you get each perfectly correct.

No late submissions will be accepted. If you miss handing in a problem set due to illness etc. follow the exam policy on excused absences.

Exam Goals and Policy:

Students are expected to take all exams when scheduled. Excused absences will only be granted if the necessary documentation is provided. This documentation includes evidence supporting your excuse. Students should notify me about an exam absence **prior** to the exam, for example through email.

Regrade policy:

If you do not agree with your score, you may ask me for a regrade. I will personally regrade the entire test and you may lose points as well as gain them. Note that I tend to be harsher than the TA.

Class participation and attendance:

Class participation is strongly encouraged and questions or comments are always welcome. Remember that you are taking this class to learn the material and being an active participant and therefore being present is an integral step to your success.

Other Important Dates:

No class meetings on: 2/20 (BU Monday Schedule), 3/6, 3/8 (Spring Break)

Course Outline:

The following represents a tentative outline of the course. I shall point out when changes are made.

Economic Growth (Approximately 8 Lectures)

- Production Functions
- Solow Growth Model in Discrete and Continuous Time
- Convergence
- Growth Accounting
- Human Capital and Growth
- Institutions and Growth
- Endogenous Growth and Technical Progress
- Growth and Inequality

Fluctuations

- Consumption and Savings (Approximately 2 1/2 Lectures, Last Topic For Midterm)
    - Consumption Under Certainty
    - Uncertainty and Consumption
    - Credit Constraints
    - Asset Pricing and Consumption
- Investment (Approximately 1 1/2 Lectures)
    - User cost of Capital
    - Q Theory
    - Financial Frictions
- General Equilibrium Models and Real Business Cycles (Approximately 3 Lectures)
    - Capital-Only Model
    - Labor Supply-Only Model
    - RBC Explanation of Business Cycles: Summers vs. Prescott
- Monetary Models and New Keynesian Economics (Approximately 4 Lectures)
    - Money
    - Inflation
    - IS-MP-AD-AS Model
    - New Keynesian Model With One-Period Stickiness
    - Dynamic IS Curve and New Keynesian Phillips Curve
    - Liquidity Trap and Zero Lower Bound
- Monetary and Fiscal Policy (Approximately 3 Lectures)
    - Optimal Monetary Policy
    - Fiscal Policy
    - Unconventional Monetary Policy and Macroprudential Policy
- The Financial System and the Great Recession (Approximately 4 Lectures)
    - Bubbles and Housing
    - The Financial System and Financial Accelerator
    - Banking, Bank Runs, and The Shadow Banking System
    - The Euro
    - Unemployment