

ECONOMICS 502 BB

Boston University

Macroeconomics

Spring 2024

Class Time : Monday, Wednesday 10:10 – 11:25 a.m.

Room : KCB 107

Instructor : Andre Switala

Office : Economics Department, Room 434

Office Hours : Mon 12:00-1:00 p.m. & Fri 10:00-11:00 a.m. (in person), Thu 3:00-4:00 p.m. (Zoom)

<https://bostonu.zoom.us/j/96591566176?pwd=YjhVRIY5V09iOHQzOVh0UjNreWtiQT09>

Office Phone : (617) 358-2604

Email : switala@bu.edu (*preferred*) – please put EC502 in the subject line.

TA : Michele Marcaletti

Discussion Session: Fridays, 4:30 – 5:45 p.m. EPC 205

Office Hours : Fridays, 3:15 – 4:15 p.m. SSW B17

Email : mmarcaletti@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.

Course Modality:

The expectation is that students will take the course in person as much as possible. The plan however is to record lectures and most likely still post them to the course website. I reserve the right to discontinue this approach of attendance declines as a result.

Readings:

The primary readings are concise lecture notes. Background readings or additionally assigned readings can come from book chapters and original research articles.

Recommended:

- (1) “Advanced Macroeconomics” 4th or 5th ed. by David Romer, McGraw-Hill

This book is an advanced treatment primarily meant for Ph.D. students. We will use some of the chapters and it is referenced as a supplementary reading.

- (2) “Introduction to Economics Growth” 3rd or 4th 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% (5 or 6 Problem Sets, therefore 5% or 6% each)
Midterm	: 30%
Final Exam	: 40%

The **midterm** is currently scheduled for **Wednesday, March 6th**. An adjustment to this date may be necessary depending on progress in the course, but the date is likely to hold. The final exam is **likely going to be on Tuesday, May 7th 9:00 – 11:00 a.m. (in our regular classroom)**. **However, as of now the official BU matrix does not list this exact class time and there is some uncertainty.** 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 in case of illness or family emergencies. Students should notify me about an exam absence **prior** to the exam, for example through email. Excuses after the exam will only be accepted in rare circumstances.

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:

There is no individual grade for class participation in this course. However, 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.

Please Note: Under no circumstances will “extra credit” work be given.

Generative AI

ChatGPT, and other similar Generative AI tools such as BingChat or Google’s Bard are available and learning how to use them is an emerging skill. Beware of the following:

- Any produced content must be critically analyzed.
- Do not assume the output provided is correct unless you can check it with other sources. You will need to refine your prompts to obtain better outcomes.
- You must acknowledge that you have used any of these tools. Provide a paragraph at the end of any assignment where you have used the help of ChatGPT and other tools to explain what you used it for and provide the prompts you used to get the output and the retrieval date. Failure to disclose and properly cite is a violation of academic integrity.
- You should know that I reserve the right to put any material you hand in through available tools that check for AI origin.

Learn more: Steven Wolfram's book "What is ChatGPT Doing and Why Does It Work". Online version: <https://writings.stephenwolfram.com/2023/02/what-is-chatgpt-doing-and-why-does-it-work/>

For proper citation, for example using ChatGPT: OpenAI. (2021). ChatGPT (Version GPT-3) [Software]. Retrieved from <https://openai.com>

Other Important Dates:

Last Day to add a class : January 31st

Last Day to drop a class: without a “W” grade: February 22nd, with a “W” grade: March 29th

No class meetings : February 19th (Presidents’ Day), March 11th, 13th, (Spring Break), April 15th (Patriot’s Day)

Services for Students with Disabilities

Students with disabilities (learning, medical, physical) who wish to receive academic accommodations or auxiliary aids are required to submit the appropriate documentation to verify their eligibility under the Americans with Disabilities Act of 1990 (ADA). Students should be in contact with the BU Office of Disability Services (www.bu.edu/disability). Students who are approved to receive special accommodations should see me as soon as possible, preferably after the first class.

Academic Conduct

The Boston University Academic Conduct Code is available at:

<http://www.bu.edu/academics/resources/academic-conduct-code/>

You need to read the CAS Academic Conduct Code. Academic misconduct involves not only direct cheating on tests, but some more subtle acts as well. All work handed in for credit must be your own, with the exception that you may quote or paraphrase from other sources if you also cite the reference and page number. It is generally not permissible to use another student's work, even if you cite that

work. However, for the *problem sets* in this class collaborative work is permitted as outlined in the homework policy above. I will report cases of suspected academic misconduct to the Dean's Office. Confirmed cases of misconduct may result in a failing grade on the exam or assignment and can lead to temporary suspensions from the university.

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