**Eric Doviak**
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Class meets: **Thurs. eve. 8:20-10:00 in Whitehead 417**
Office hours: **Thurs. eve. 7:20-8:20 or by appointment**
Section: **ER8** Code: **2175**

# Graduate Macroeconomics (ECO 710)

## Brooklyn College – Spring 2009

Macroeconomics is the study of how economies perform over short and long periods of time. This is an important discipline because the performance of an economy is directly tied to living standards. After all, the more our economy produces, the more we can consume and the higher is our standard of living.

Similarly, if an economy is producing less output this year than it did last year, our consumption in this year will likely be lower than it was last year and the number of unemployed workers will likely be higher than it was last year.

Macroeconomics also examines the impact that government policy can have on the rate of unemployment, the level of output that our economy produces and the prices that we pay for the goods and services that we consume.

Of fundamental importance is the time frame in which we are examining the economy's performance. Many of the government policies which boost our living standards over short periods of time are downright harmful to our living standards over longer periods of time.

This course places a great emphasis on the difference between the short-run and long-run performance of the economy and stresses the tradeoffs that government policymakers face. For example, raising taxes and cutting government spending is political suicide, but one day we will have to pay off the government debt and that will require either tax hikes or cuts in government spending.

## Objectives of this Course

This course has two sets of objectives: practical and academic. The academic objectives aim to explain the tradeoffs listed above. The practical objectives aim to teach you how to apply mathematics and econometrics to economic problems. Specifically, I hope that this course develops your logical thinking skills, enables you to apply mathematics to economic problems and teaches you how to test the theoretical relationships between dependent and independent variables.

## Course Requirements

Your final grade will be determined by a weighted average of a mid-term exam (35 percent), a final exam (45 percent) and the quality of your class participation (20 percent). The exams will require you to write short essays on the course material.

In evaluating the quality of your class participation, I will consider:
1. your attitude towards the course material,
2. how well you demonstrate an understanding of the required readings and
3. how often you ask intelligent questions in class.

Saying “I don't understand” and explaining what you don't understand and why you don't understand it is one of the most intelligent things you can do. It demonstrates curiosity and interest in the course material. By contrast, sitting in silence when you don't understand is one of the dumbest things you can do.

## Attendance Policy

Come and go as you please, but keep in mind that the lectures are an important part of the course. If you're not here, it's going to be a lot harder to understand the course material. Poor attendance will also adversely affect my evaluation of your class participation.

For example, if you never come to a single class, but somehow manage to ace both exams (which is highly unlikely), your final grade would be a B-plus – that's 80 percent of an A (4.0).

## Exam Make-Up Policy

Any student who is either unable to attend class on the day of the exam or simply doesn't feel like coming to class on the day of the exam, doesn't have to come. There's no need to contact me or explain the reason for your absence. Just don't come.

If you miss the mid-term exam, you will be expected to submit a take-home examination within two weeks of the class immediately following the mid-term exam. No exceptions.

If you miss the final exam, you will have to make it up during departmental exams next semester.

In deciding whether or not to come to class on the day of the exam, keep in mind that I see absolutely no reason why the difficulty of the take-home exam or the departmental exam should be comparable to that of the in-class exam. If I were in your shoes, I would come to class on the day of the exam.

## Instant Replay Rule

If you do not do well on an exam and would like to improve your grade by doing the make-up exam, I'll look very favorably upon your efforts.

For those of you who would like to improve your grade by haggling with me over points, we'll play by the "Instant Replay Rule." If your complaint has merit, I'll fix your grade. If your complaint does not have merit, it will cost you one whole letter grade.

## Email at your Own Risk

Any take-home assignment (such as a make-up exam) should be submitted to me during regular class hours. If you cannot attend class that day, ask a friend to submit it for you.

I will also accept assignments submitted to me by email or left in my box at the Economics Department Office (Whitehead 217).

Keep in mind however that email does not always work perfectly. There is a low (but not insignificant) probability that the email will not be delivered to me. There is also a low (but not insignificant) probability that an assignment left in my box will disappear.

I will not be held accountable for vanishing emails. Nor will I be held accountable for assignments devoured by the mailbox gremlin. You assume ALL of the risk associated with email and/or mailbox submissions. **If I don't receive it, it's your problem, not mine.**

## Policy on Cheating

Don't even think about it. I will catch you and I will pursue the harshest penalty that the college allows.

What you should think about is the reputation of your school. If Brooklyn College were to develop a reputation for tolerance of cheating, then potential employers would consider completion of a degree at Brooklyn College to be a trivial accomplishment and your investment of time, money and energy at this school will have been squandered.

Use of notes during an in-class exam is cheating. Don't do it. Copying material from a website on a take-home exam is cheating. Don't do it.

If you think I won't know if you copied material from a website on a take-home exam, you're wrong.

## What to Expect

**I have an easy-going attitude, but don't expect an easy A.** I work hard and I expect the same from you.

I'll give you all the help you need, but don't expect me to spoon-feed you the answers. This is college. Come prepared to ask me questions. Don't waste my time.

I don't see things in black and white. I am incapable of answering a question with a simple "yes" or "no." I look for the complexity in an issue and seek to understand it.

If you get impatient with someone who takes their time to answer a question or goes into too much detail, then I'm probably not the professor for you.

On the other hand, if you want to learn how to analyze an issue and come to a well-reasoned conclusion, then you're in the right place.

## Course Readings

All students should purchase:

- Romer, David. *Advanced Macroeconomics*. McGraw-Hill. 1996. ISBN: 0-07-053667-8

For supplemental material, you may also want:

- Blanchard, Olivier Jean and Stanley Fischer. *Lectures on Macroeconomics*. MIT Press. 1989. ISBN: 0-262-02283-4
- Pearce, David W. (ed.) *The MIT Dictionary of Modern Economics*. ISBN: 0-262-66078-4
- Doviak, Eric. *Lecture Notes on Economic Growth and Economic Fluctuations*. www.doviak.net

Blanchard and Fischer's text is commonly used in graduate-level Macroeconomics courses. I did not select it for our primary text however, because it does not contain much material on economic growth and development.

My *Lecture Notes* were designed for undergraduate students. They contain a lot of information and they explain my approach to macroeconomic theory, but they are not a substitute for a graduate-level textbook.

***All*** *of the readings listed below are* ***required*** *reading. I have kept the list short. I have not padded the list with the original classics in cases where the textbook's treatment will suffice. The list is reasonable.*
***I expect you to read all of the material listed below.***

**Lecture 1: The Solow Growth Model**

Lucas, Jr. Robert E. “Macroeconomic Priorities.” *American Economic Review.* March 2003. vol. 93, no. 1, p. 1-14.

Romer, chaps. 1 and 3B

Barro, Robert J. “Economic Growth in a Cross-Section of Countries.” *Quarterly Journal of Economics*. May 1991. vol. 106, no. 2, p. 407-443.

Young, Alwyn. “The Tyranny of Numbers.” *Quarterly Journal of Economics*. Aug. 1995. vol. 110, no. 3, p. 641-680.

**Lecture 2: The Ramsey Model and Research and Development and Models**

Romer, chaps. 2A and 3A.

**Lecture 3: Real Business Cycle Theory**

Romer, chap. 4.

**Lecture 4: Traditional Keynesian Theory**

Romer, chap. 5.

**Lecture 5: Monetary Policy Tradeoffs, part I**

Phillips, A.W. “The Relation between Unemployment and the Rate of Change of Money Wage Rates …” *Economica*. Nov. 1958. vol. 25, no. 100, p. 283-299.

Poole, William. “Optimal Choice of Monetary Policy Instruments ...” *Quarterly Journal of Economics*. May 1970. vol. 84, no. 2, p. 197-216.

LeRoy, Stephen F. and David E. Lindsey. “Determining the Monetary Instrument ...” *American Economic Review*. Dec. 1978. vol. 68, no. 5, p. 929-934.

**Lecture 6: Monetary Policy Tradeoffs, part II**

Sargent, Thomas J. and Neil Wallace. “'Rational' Expectations, the Optimal Monetary Instrument, and the Money Supply Rule.” *Journal of Political Economy*. April 1975. vol. 83, no. 2, p. 241-254.

Romer, chaps. 6A and 9.

Note: You are not required to read the original Kydland and Prescott (*JPE*, 1977) article, but I found it helpful and you might too. Here's the citation:

Kydland, Finn E. and Edward C. Prescott. “Rules Rather than Discretion: The Inconsistency of Optimal Plans.” *Journal of Political Economy*. June 1977. vol. 85, no. 3, p. 473-492.

**Lecture 7: Neo-Keynesian Theory**

Romer, chaps. 6B and 6C.

**Lecture 8: The Current Financial Crisis**

Svensson, Lars E. O. “Escaping from a Liquidity Trap and Deflation: The Foolproof Way and Others.” *Journal of Economic Perspectives.* Autumn 1992. vol. 6, no. 4, p. 119-144.

[[Others to be decided.]]

**Lecture 9: Consumption**

Romer, chap. 7.

**Lecture 10: Investment**

Romer, chap. 8.