



Syllabus for Economics 702, Macroeconomics I Lecture 002 Spring 2021

Instructors:

Professor Menzie Chinn
mchinn@lafollette.wisc.edu

Professor Charles Engel
cengel@ssc.wisc.edu

Teaching Assistants: Saerang Song

Course Description:

The study of aggregate output determination, including analysis of consumption, labor markets, economic growth, and business cycles. Analysis of fiscal and monetary policies and their interactions.

Lectures:

The lectures will be given on Zoom, from 8:00 PM – 9:15 PM, in the Madison time zone (Central Standard Time until the March 15th lecture, at which time we will be in Central Daylight Time.) These times translate to 10:00 AM – 11:15 AM in China (the following day) until March 15th, and then 9:00 AM – 10:15 AM starting March 15th. We *strongly* prefer that everyone attend the lecture live, at the time it is given, but recordings of the lecture will be posted on Canvas.

Learning Outcomes

- o Students will demonstrate understanding of major current and past policy debates, research findings, and analytical methodologies in macroeconomics.
- o Students will demonstrate critical thinking skills. They will retrieve and examine the literature and evaluate evidence for and against hypotheses, identify knowledge gaps, strengths and weaknesses in existing literature, synthesize knowledge, and develop conclusions.

Grading

There are two mid-terms, each counting 40% of the grade.

The mid-terms are scheduled for a 24-hour window beginning at 8:00 PM (Madison time), March 12 and April 30.

The exams will be 2 hours long. You may use your notes and the book and any other sources, but you may **NOT** do any work with other students on the exam. There will be a 24-hour window in which the exam is available to download and complete within 2 hours.

Weekly homework is 20% of the grade.

Students may work together on homework, but each person must write their own version of the answers to turn in.

Readings

The main textbook is

Garín, Julio; Robert Lester; and, Eric Sims. 2020. Intermediate Macroeconomics.
https://www3.nd.edu/~esims1/gls_textbook.html

Other readings are listed below.

	Topic/Reading
1/25	<u>Introduction and Macro Data</u> Garín, Lester and Sims, Chapters 1, 2 and 3 Engel, Charles. 2017. "Econ 666 Notes. Chapter 1: Balance of Payments Accounting and National Income Accounting." Pages 28-37. Furman, Jason. 2016. "Extracting the Signal from the Noise: Seven Tips for Interpreting Macroeconomic Data." <u>Milken Institute Review</u> http://www.milkenreview.org/articles/extracting-the-signal-from-the-noise-7-tips-for-interpreting-macroeconomic-data
1/27	<u>International Comparisons</u> Garín, Lester and Sims, Chapter 4. Central Intelligence Agency, <u>The World Factbook</u> . "Economy" section for China, Colombia, Czechia, India, South Korea, United States.
2/1	<u>Solow Growth Model</u> Garín, Lester and Sims, Chapter 5, section 5.1

2/3	<u>Solow Growth Model</u> Garín, Lester and Sims, Chapter 5, sections 5.2-5.3
2/8	<u>Solow Growth Model and Augmented Solow Growth Model</u> Garín, Lester and Sims, Chapter 5, sections 5.4-5.6 Garín, Lester and Sims, Chapter 6, section 6.1 – 6.2
2/10	<u>Augmented Solow Growth Model</u> Garín, Lester and Sims, Chapter 6, sections 6.3-6.7 Garín, Lester and Sims, Chapter 7, section 7.1
2/15	<u>Cross-Country Income Differences</u> Garín, Lester and Sims, Chapter 7, sections 7.2-7.4 Mankiw, N. Gregory; David Romer; and, David N. Weil. 1992. “A Contribution to the Empirics of Economic Growth.” <u>Quarterly Journal of Economics</u> 107, 407-437.
2/17	<u>Consumption-Saving Model</u> Garín, Lester and Sims, Chapter 9, sections 9.1-9.3
2/22	<u>Consumption-Saving Model</u> Garín, Lester and Sims, Chapter 9, section 9.4 Garín, Lester and Sims, Chapter 10, sections 10.1-10.2
2/24	<u>Optimal Consumption and Long-Run Growth</u> Garín, Lester and Sims, Chapter 10, sections 10.3-10.4 Notes on Optimal Growth Model
3/1	<u>Neoclassical Model</u> Garín, Lester and Sims, Chapter 18
3/3	<u>Shocks in Neoclassical Model</u> Garín, Lester and Sims, Chapter 19

3/8	<p><u>Taking the Neoclassical Model to the Data</u></p> <p>Garín, Lester and Sims, Chapter 20</p> <p>Mankiw, N. Gregory. 1989. "Real Business Cycles: A New Keynesian Perspective." <u>Journal of Economic Perspectives</u> 3, 79-90.</p>
3/10	<p><u>Wrap-up on Neoclassical Model</u></p> <p>Garín, Lester and Sims, Chapters 21 and 22</p>
3/15	<p><u>New Keynesian IS-LM-AD</u></p> <p>Garín, Lester and Sims, Chapter 24</p> <p>Gali, Jordi, "The State of New Keynesian Economics: A Partial Assessment," JEP 2018. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.3.87</p>
3/17	<p><u>New Keynesian Supply Side</u></p> <p>Garín, Lester and Sims, Chapter 25</p> <p>Nakamura, Emi, and Jón Steinsson. "Price rigidity: Microeconomic evidence and macroeconomic implications." <i>Annu. Rev. Econ.</i> 5.1 (2013): 133-163. https://www.ssc.wisc.edu/~mchinn/Nakamura_Steinsson_w18705.pdf</p>
3/22	<p><u>New Keynesian Supply Side</u></p> <p>Garín, Lester and Sims, Chapter 25</p>
3/24	<p><u>Shocks in the New Keynesian Model</u></p> <p>Garín, Lester and Sims, Chapter 26</p>
3/29	<p><u>Shocks in the New Keynesian Model</u></p> <p>Garín, Lester and Sims, Chapter 26</p>

3/31	<u>Dynamics in the New Keynesian Model</u> Garín, Lester and Sims, Chapter 27
4/5	<u>Dynamics in the New Keynesian Model</u> Garín, Lester and Sims, Chapter 27 Coibion, Olivier, Yuriy Gorodnichenko, and Rupal Kamdar. "The formation of expectations, inflation, and the phillips curve." Journal of Economic Literature 56.4 (2018): 1447-91. https://www.ssc.wisc.edu/~mchinn/Coibion_jel.20171300.pdf
4/7	<u>Monetary Policy</u> Garín, Lester and Sims, Chapter 28
4/12	<u>Monetary Policy</u> Garín, Lester and Sims, Chapter 28
4/14	<u>Zero Lower Bound</u> Garín, Lester and Sims, Chapter 29 Kuttner, "Outside the Box: Unconventional Monetary Policy in the Great Recession and Beyond," Journal of Economic Perspectives 32(4) (Fall 2018). https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.4.121
4/19	<u>Bond Pricing and the Term Structure</u> Garín, Lester and Sims, Chapter 34 Chinn, Menzie and Kavan Kucko, "The Predictive Power of the Yield Curve across Countries and Time," International Finance (March 2015) http://www.ssc.wisc.edu/~mchinn/Chinn_Kucko_IF2015.pdf

4/21	<u>Financial Frictions</u> Garín, Lester and Sims, Chapter 36
4/26	<u>Financial Crises and the Great Recession</u> Garín, Lester and Sims, Chapter 37
4/28	<u>The Great Recession and Review</u>

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Department of Economics will deal with these offenses harshly following [UWS14 procedures](#):

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You can also choose to contact our department administrator, Tammy Herbst-Koel (therbst@wisc.edu), and your identity will be kept confidential.

For more information, refer to <https://www.students.wisc.edu/doso/academic-integrity/>

Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.

Number of Credits

This 3 CR course has two 75 min lectures per week. Students are expected to work approximately 6 hours per week outside of class to complete assignments and learn the relevant material.