

Economics 302
Spring 2007
University of Wisconsin-Madison

Menzie D. Chinn
Social Sciences 7418

Intermediate Macroeconomic Theory

(subject to revision)

1. INTRODUCTION

Economics 302 is a course in intermediate macroeconomic theory and policy analysis. Students should have a familiarity with algebra (solving simultaneous equations). Knowledge of basic calculus (partial and total differentials) and introductory statistics (linear regression) will be helpful, but not required. The main part of the course will focus on the IS-LM framework. However, considerable attention will be devoted to international aspects, such as the trade deficit, international capital flows and the exchange rate, as well as domestic issues such as inflationary processes.

Students enrolling in this course should be comfortable with algebraic and graphical analysis. It requires sustained immersion in relevant economic theory, and does not present a primarily descriptive or historical approach.

2. OFFICE HOURS

Professor Menzie Chinn
MW 1:15-2:15 (subject to revision)
Social Sciences 7418
Phone: 262-7397
e-mail: mchinn@lafollette.wisc.edu

Updated information will be posted on the course website,
http://www.ssc.wisc.edu/~mchinn/web302_s07.html.

3. SCHEDULE AND READINGS

The textbook is Robert Hall and David Papell, *Macroeconomics: Economic growth, fluctuations, and policy*, 6th Edition (Norton, 2005) available at the University Bookstore. Note that older editions of the textbook are not substitutable for the current edition. The textbook website also has some additional materials: <http://www.wwnorton.com/college/econ/hat6/>
Additional required readings are located under the "Required On-Line Readings" section of the course website, including from the *Economic Report of the President, 2007* (forthcoming in early February). Commentary on current economic conditions at <http://www.econbrowser.com> will also be referred to. Below is a list of reading assignments, which is subject to revision.

LEC.	DATES	TEXT	Web	TOPICS
1	1/22	1, 2	Trehan Fernald&Wang	Introduction/Measuring performance
2	1/24	3	Wu	Employment
3-5	1/25-2/5	7	CBO	Short run fluctuations
6-10	2/7-21	8	ISLM notes CEA	IS-LM
9	2/19			Midterm I
11-13	2/26-3/5	9	ADAS notes Fernald&Trehan	Economic fluctuations model
14-15	3/7-12	10		Consumption
16-17	3/14-19	11	Doms	Investment
18-22	3/21-4/11	12	OPEN notes, Chinn	Foreign trade & the exchange rate
19	3/26			Midterm II
23	4/16	13	PCO notes	Govt. spending, taxes, deficits
24-25	4/18-23	14		Monetary system
26	4/25	15	Markup notes	Micro foundations of price stickiness
27	4/30	16	Meyer	Macro policy model/Taylor Rule
28-29	5/2-7	4		Long run economic growth
30	5/9	5	Anderson&Kliesen	Technology & economic growth

5/15 (Tuesday) 12:25PM FINAL EXAM

Readings:

Trehan, "Why has output become less volatile?" *FRBSF Economic Letters* 2005-24 September 16, 2005.

Fernald and Wang, "Shifting Data: A Challenge for Monetary Policymakers," *FRBSF Economic Letters* 2005-35 December 9, 2005.

Wu, "Two Measures of Employment: How Different Are They?" *FRBSF Economic Letters* 2004-23 August 27, 2004

CBO, *Economic and Budget Outlook*, January 2007 (posted late January)

Notes on IS-LM

CEA, *Economic Report of the President*, 2007 (posted early February), macroeconomic chapter only.

Notes on Aggregate Demand and Aggregate Supply

Fernald and Trehan, "Why Hasn't the Jump in Oil Prices Led to a Recession?" *FRBSF Economic Letters* 2005-31 November 18, 2005.

Doms, "IT Investment: Will the Glory Days Ever Return?" *FRBSF Economic Letters* 2005-13 June 17, 2005.

Notes on the Open Economy

Chinn, "Getting Serious about the Twin Deficits," *CSR No. 10*, Council on Foreign Relations, September 2005.

Notes on Portfolio Crowding Out

Notes on Markup Pricing

Meyer, "Practical problems and obstacles to inflation targeting," *FRB St. Louis Review* 86(4) July 2004: 151-160.

Anderson and Kliesen, "The 1990s acceleration in labor productivity," *St. Louis Fed Review* May 2006: 181-202.

4. GRADING

Letter grading is determined as follows:

20%	Problem sets
50%	Two midterm exams (25% each)
30%	Final examination

There will be *no* make-up midterm exams. Missed midterm exams will increase accordingly the weight assigned to the other midterm and the final exam, provided you have either (1) a valid physician's note attesting to the fact that you have a health issue which prevents you from taking the exam, or (2) contacted your TA and/or the instructor with a reason, which is approved *prior* to missing the exam. Other cases are subject to the instructor's discretion. The problem sets are an integral part of the course. Assignments will be handed into me in lecture on the appropriate date. Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. ECONOMICS DEPARTMENT GRIEVANCE PROCEDURE

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, instructor, or a teaching assistant. The Department also uses course evaluations. 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 resolve the dispute with him or her. The grievance procedure is for situations where neither the course evaluation nor direct contact is appropriate.

To file a grievance, you should go to Social Science 7238 and request a Course Comment Sheet. On it you must provide a detailed statement about what you find unsatisfactory. You must also sign the sheet, provide your student ID number, an address and phone number. The Department investigates grievances fully and will respond in writing. Your name, address, phone number and student ID will not be provided to the instructor or teaching assistant and will be treated confidentially. The Department uses this information in case the Department Chair or a nominee wishes to meet with the student to gather additional information. The written response is mailed to the address provided by the student.