

Econ 250B — Macroeconomic Theory

Middlebury College — Spring 2018

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Office: Warner Hall Room 502A

Office Hours: Tuesdays (10:30-12pm) and Thursdays (4:30-6pm).

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Lectures:

Tuesdays and Thursdays 3:00 pm - 4:15 pm

Location: Warner 207

Description

This course covers macroeconomic theories of the determination of output, employment, interest rates, and inflation. The course focuses on short-run and medium-run theories, covering IS-LM, Labor Market, and Phillips Curve models. Special attention is given to the effects of fiscal and monetary policies on economic activity. Although the focus is on mainstream theories, we will discuss them against the backdrop of broader macroeconomic thinking and refer to alternative views when pertinent. We will also examine how the theories illuminate policy responses to ongoing macroeconomic events, such as the recovery from the US financial crisis and the Eurozone crisis.

Textbook and Readings

Most of the reading assignments are drawn from

Blanchard, Olivier (2016) *Macroeconomics*, 7th edition. Oxford University Press.

The textbook has been ordered through the campus textbook store. The 7th edition brings substantive changes, so the use of previous editions is no longer recommended.

Additional reading assignments are listed in the lecture plan below. They will be available on the course's Canvas website.

Course Web Page

Additional readings and problem sets will be available on the course's **Canvas** website.

Student Evaluation

Your evaluation will be comprised of the following items. More information on each item is given in the subsections below.

- Class attendance and participation in in-class activities (10%).
- Problem sets (20%).
- Three exams (70%, equal weights).

Problem Sets

There will be between six and seven problem sets during the semester. They will help you learn the models discussed in class and understand the economic intuition behind their main results. Even though you are encouraged to seek help from your classmates when solving the problem sets, your answers must be written up individually, reflecting your final understanding of the questions.

In general, problem sets will be **due in my mailbox** in the basement floor of Warner Hall by **12pm** on the announced Fridays (depending on circumstances problem sets may be due in class; I will announce the due dates in advance). I will not accept late problem sets. To accommodate unforeseen circumstances, I will drop the lowest problem set grade from the final average at the end of the semester.

Exams

There will be two midterms exams and a final exam. The midterms will take place during our regular class time. The tentative dates are **Thursday 03/22** and **Thursday 4/19**. I will confirm these dates in due course.

After some deliberation, the Department of Economics will once more seek permission to proctor exams in our six core courses (150, 155, 210, 211, 250, and 255) this semester. Our decision does not extend to other work in these courses, or indeed to exams in other courses, and is the result of our commitment to protect the integrity of the academic experience of all our students.

Grades

Your final letter grade will be assigned as follows: A: 94-100; A-: 90-93.9; B+: 87-89.9; B: 83-86.9; B-: 80-82.9; C+: 77-79.9; C: 73-76.9; C-: 70-72.9; D: 60-69.9; F: < 60.

Honor Code

I expect students to follow the College's honor code. Copying someone else's work is a serious violation of the honor code. Even though you are encouraged to seek help from your classmates when solving the problem sets, your answers must be written up separately, reflecting your final understanding of the questions. All exams must be completed without the aid of notes or books.

Tutoring

The Center for Teaching, Learning, and Research has tutoring sessions for Econ-250. You can find out more at <http://www.middlebury.edu/academics/resources/ctlr/students>.

Office Hours and Email Policy

My regular office hours will be held on Tuesdays (10:30-12pm) and Thursdays (4:30-6pm), unless announced otherwise. I plan on having most problem sets be due on Friday by 12pm.

I am also available by appointment, but I expect you to provide advance notice of your desire to meet and to be flexible with regards to scheduling. It may take 24 hours for me to respond to email (not including weekends).

Policy Regarding the Use of Technology in the Classroom

The widespread use of phones and laptop computers in class can be distracting to you and to other students. The limited use of laptops for note-taking during class is okay. But if you cannot resist the urge to check your email or other websites, please keep your laptop stowed away. I will ask you to do so if it looks like you or those around you are distracted.

Lecture Plan

The lecture plan below is tentative. Any changes will be announced in class, and you will be required to adjust the readings accordingly.

2.13 Get to know each other. Course overview.

2.15-3.1 The Goods Market and Fiscal Policy.

Reading:

Blanchard, chapter 3.

Optional Reading:

Snowdown, Brian and Vane, Howard (2005) "Modern Macroeconomics — Its Origins, Development and Current State", Cheltenham, UK: Edward Elgar. Chapter 2 (pp. 36-54).

Keynes, J.M. "The General Theory of Employment, Interest and Money", New York:Harcourt, 1991[1936]. Chapters 1-3.

International Monetary Fund (2010) "World Economic Outlook: Recovery, Risk, and Rebalancing", Chapter 3 ("Will it hurt? Macroeconomic effects of fiscal consolidation") pp. 93-124

3.6-3.8 The Financial Markets and Monetary Policy.

Reading:

Blanchard, chapter 4.

3.13-3.20 The IS-LM Model.

Reading:

Blanchard, chapter 5.

3.22 First Midterm

3.27-3.29 Spring Break

4.3-4.10 The IS-LM Model: Extensions and Applications

Reading:

Blanchard, chapter 6.

Optional Reading:

Ueda, Kazuo (2012) "Deleveraging and Monetary Policy: Japan Since the 1990s and the United States Since 2007" *Journal of Economic Perspectives*, 26, p. 177-202.

4.12-4.24 The Labor Market and the Natural Rate of Unemployment

Reading:

Blanchard, chapter 7.

4.19 Second Midterm

4.26.5.1 The Phillips Curve

Reading:

Blanchard, chapter 8.

5.3-5.10 The IS/LM/PC Model.

Reading:

Blanchard, chapter 9

Optional Reading:

Howell, David R., et al. "Are protective labor market institutions at the root of unemployment? A critical review of the evidence." *Capitalism and Society* 2.1 (2007).

Tobin, James. "Price flexibility and the stability of full-employment equilibrium." *Monetary theory and thought: essays in honour of Don Patinkin*. London: Macmillan (1993).