ADVANCED MACROECONOMIC THEORY (ECON 504)

Spring 2020

TuTh 11:30AM - 12:45PM

Instructor: Arslan Razmi

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Office Hours: TuTh., 1:15-2:15 PM (or by appointment).

COURSE OVERVIEW

The central purpose of the course is to expose students to the main theoretical currents of macroeconomics and systematic interpretation of real world issues. Macroeconomics is the study of the aggregate performance of economies; national, and international. This course is an advanced undergraduate introduction to the main theories of macroeconomics. We will discuss issues related to national income accounting, long-run economic growth, unemployment, inflation, business cycles, crisis, monetary and fiscal policies, exchange rates, and economic development. Although most of our focus will be on closed economy macroeconomic theory, we will also cover practical policy issues relating to the domestic and international economy.

This course is being offered at an interesting time. The Covid-19 pandemic has acted as a demand-side and supply-side shock to the economy. Will the US labor market recover quickly (or at all)? What role do investor expectations play in the stock and bond markets? How are stocks and bonds valued? What are the factors underlying inflation and wage formation? How is the US dollar affected by these financial market developments? What role can fiscal and monetary policy play when policy makers try to stabilize the economy in response to events? We will discuss these issues as we develop related concepts over the semester.

The coverage of issues will involve familiarity with basic algebra and calculus. Students taking the course must meet the pre-requisites listed on Spire.

Lecture Format

The course lectures will be a mix of synchronous and asynchronous presentations. The Tuesday lectures will be synchronous while the Thursday ones will be asynchronous.

Class Website

The course will have a Moodle website. The website will display announcements, assignments, handouts, relevant links, and other useful information. Students are responsible for accessing the class website regularly.

Course Materials

Required Text:

Suggested Supplementary Texts:


In addition, handouts will be given occasionally. Whenever possible, links will also be provided to supplementary readings.

Work Requirements and Grading

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Problem Sets (about 4-5) and pop quizzes</td>
<td>20%</td>
</tr>
<tr>
<td>Presentations</td>
<td>10%</td>
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<tr>
<td>Midterm</td>
<td>30%</td>
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<tr>
<td>Final Exam</td>
<td>40%</td>
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The problem sets are designed to help you practice for the exams; they will be graded for completeness, correctness, and effort. **The midterm will be held during regular class hours on Thursday, March 18. It is your responsibility to discuss any schedule conflicts with me individually at least 15 days before the midterm exam.** The final exam date will be announced later.

Useful websites for data

National Bureau of Economic Research
[www.nber.org](http://www.nber.org)

Bureau of Labor Statistics
[www.bls.gov](http://www.bls.gov)

The Federal reserve Board

United States International Trade Commission

The World Bank
Course Outline

NOTE: This tentative schedule is subject to adjustment as we proceed through the semester.

1. **A brief discussion of the history of macroeconomic thought and some key issues in macroeconomic theory**

   An overview of the global macro picture and hot topics. Interesting macroeconomic facts and statistics. Highlights of macroeconomic thought from the Adam Smith and earlier to modern new classical and new Keynesian approaches. Some key debates that have shaped macroeconomic theory and policy in recent years.

   Suggested additional readings:

   Blanchard, chs. 1, 2, 25


2. **Measuring macroeconomic variables (domestic and international) (ch. 2)**

   The circular flow of income and product. The national income accounts, real GDP, and price deflators.

3. **The goods and asset markets (chs. 3, 4)**

   Ingredients, assumptions, identities, and some basic behavioral relationships. Money, bonds, and other financial assets. Interest rates, money supply, and levers of monetary policy.

4. **The IS-LM model and the neoclassical synthesis (chs. 6 and 7)**

   The IS and LM schedules, simultaneous determination of income and interest rates, and fiscal and monetary policy in the IS-LM framework.

5. **The labor market and medium-run equilibrium (chs. 6 and 7)**

   Wage and price rigidity, unemployment, aggregate demand and aggregate supply under imperfect information, shocks and business cycles.

6. **Inflation and the Phillip’s curve (chs. 8)**

   Wage and price behavior.

7. **The IS-LM-PC model (ch. 9)**

   Current issues in macroeconomics. US and global perspective.

8. **Growth in the long run**

   The measures, history, and determinants of long-term performance.
The Solow growth model, technological progress, and endogenous growth Blanchard and Johnson: chs. 10-11).

Alternative perspectives and macroeconomic controversies: Post Keynesian and Structuralist critiques
Chapters from Foley and Michl
Recent empirical research

9. **Financial markets, expectations, and economic behavior (ch. 14, 15)**

10. **Open economy macro issues (chs. 17-18).**
    Macroeconomic policies with fixed and floating exchange rates, policy in an integrated world.

11. **Alternative/heterodox approaches to macroeconomic issues**
    Current debates and recent empirical literature.

**Academic Honesty Policy Statement**

Academic dishonesty is prohibited in all programs of the University. Academic dishonesty includes but is not limited to: cheating, fabrication, plagiarism, and facilitating dishonesty. Appropriate sanctions may be imposed on any student who has committed an act of academic dishonesty.

Since students are expected to be familiar with this policy and the commonly accepted standards of academic integrity, ignorance of such standards is not normally sufficient evidence of lack of intent. For more information about what constitutes academic dishonesty, please see the Dean of Students’ website (p. 9-10): http://umass.edu/dean_students/codeofconduct/acadhonesty/