

Taggart J. Brooks, Ph.D.

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Office Hours: M, W 10:00-11:00 by **Appointment, or Drop IN anytime**

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Course: M, W 11:00 – 12:30

Room B201 Mondays

Room B101 Wednesdays

Ekonomická Univerzita v Bratislave

Learning objectives:

Becoming familiar with modern macroeconomic theory and understanding of the possibilities of their practical application, understanding relationships between economic performance and economic growth on the one hand and inflation, unemployment, interest and fiscal policy, on the other hand. Understanding the difference between the functioning of the economy in the short and long run and create balance in different time periods. This can be explained by various macroeconomic models which enable better understanding of relationships between macroeconomic variables and of various forms of macroeconomic policy. Study and active participation in the course will help students to develop critical thinking and to apply acquired knowledge to current national and global economic problems.

Learning outcomes:

Based on the theoretical knowledge of the contents of this course students will be able to systematize the knowledge of macroeconomics in relation to another subjects of economic policy, public finance, social policy and public administration. On the basis of relevant macroeconomic data students will be able to evaluate by using empirical and quantitative approaches basic macroeconomic phenomena, processes and connection. Students will gain the ability to think abstractly, analytically and economically and use macroeconomic views and opinions. They also get the ability to search, process, analyze and evaluate macro-economic developments and macroeconomic information from different sources (OECD, World Bank, IMF, Eurostat and others) and the findings applied in practical situations.

What does this really mean?

My goal is to improve your abilities as a student, both your ability to write and your quantitative abilities (which are highly associated with your ability to think logically). I will also strive to improve your ability to think critically about the economic ideas and phenomenon you encounter in the world around you. I will do this in the context of a study of the macro economy. I also hope to prepare those interested in graduate study for what lies ahead.

Lecture vs Seminar

I'm aware of the traditional difference between lectures and seminars, however, given the small class size, each class period will be treated the same. It is required attendance, where lecture and discussion will be mixed together. Please come to class prepared, having done the reading.

Broad Learning Objectives:

1. Evaluate the impact of macroeconomic policies on the long-run growth path of an economy and short-run business cycle fluctuations.
2. Explain differences in growth per capita across countries.
3. Develop an appreciation for macro modeling and the tools of the macro economist.

4. Accept responsibility for learning and develop the desire for life-long learning in order to become an active citizen.
5. It is expected that comparisons will be made between the US and other countries when discussing unemployment, inflation, output, cyclical fluctuations, and economic growth.

Class Outline and Additional Readings (tentative and subject to change)

The following is the course outline and the assigned readings. Copies of additional readings will be provided by email, through the class web page, or in class.

Suggested Text for Required Readings:

Mankiw, N. G. (2016) *Macroeconomics* (9th Edition International). New York, NY: Worth Publishers.

The text I will primarily use as a reference and to which the chapters in the detailed readings refer. I do have a mapping from several different editions. The 7th edition is widely available online in pdf for free, just use google.

Mankiw, N. G. and Mark Taylor (2014) *Macroeconomics* (2nd Edition European). New York, NY: Worth Publishers.

<https://www.macmillanihe.com/companion/Mankiw-Taylor-Macroeconomics/>

Additional readings will be required and distributed electronically, in class, or links are provided in this syllabus. If you miss a class it is up to you to make sure that you have all the materials that were distributed.

Refresher

<https://www.khanacademy.org/economics-finance-domain/macroeconomics>

<http://www.econocast.net/intmacro/>

Week 1

I. Introduction to Macroeconomics

A. The Macro Economy

Required Readings:

Mankiw: ch. 1 - *The Science of Macroeconomics*

Recommended Reading:

Multimedia:

Fairness <https://www.youtube.com/watch?v=IKhAd0Tyny0>

B. The Data of Macroeconomics: National Income, Prices, and Unemployment

Required Readings:

Mankiw: ch. 2 - *The Data of Macroeconomics*

Recommended Readings:

http://www.economist.com/displaystory.cfm?story_id=2765877

http://www.bls.gov/cps/eetech_intro.pdf

Duff, C. (1997, January 16). Eyes on the Price: Is the CPI Accurate? *Wall Street Journal*, p. A 1.

Boskin, M. J., & et al. (1998). Consumer Prices, the Consumer Price Index, and the Cost of Living. *Journal of Economic Perspectives*, 12(1), 3-26.

Multimedia:

http://www.nytimes.com/interactive/2008/05/03/business/20080403_SPENDING_GRAPHIC.html

Week 2

II. Income and Price Determination in the Long-Run

A. Static Model

1. Production and Employment

2. Demand and the Interest Rate

Required Readings:

Mankiw: ch. 3 National Income: Where It Comes From and Where It Goes

<http://research.stlouisfed.org/publications/net/20040801/cover.pdf>

Active Learning:

Production Function: Book making experiment

Week 3

C. Important Economic Aggregates

I. Money and Inflation

Required Readings:

Mankiw: ch. 4 - *The Monetary System: What It Is and How It Works*

Radford, R. A. (1945). The Economic Organisation of a P.O.W. *Camp. Economica*.

http://www.uwlax.edu/faculty/brooks/eco305/pow_camp.htm

Recommended Reading:

Rockoff, H. (1990). The "Wizard of Oz" as a Monetary Allegory. *Journal of Political Economy*, 98(4), 739-760.

<http://www.uwlax.edu/faculty/brooks/eco305/wizardofoz.pdf>

Required Readings:

Mankiw: ch. 5 - *Inflation: Its Causes, Effects, and Social Costs*

Week 4

Required Readings:

Mankiw: ch. 6 - *The Open Economy*

Week 5

2. Employment

Required Readings:

Mankiw: ch. 7 - *Unemployment and the Labor Market*

Recommended Reading:

http://www.economist.com/displaystory.cfm?story_id=145166

GUEST LECTURE Nabamita Dutta

Week 6 and 7

B. Dynamic Model

I. Economic Growth I Solow-Swan model

Required Readings:

Mankiw: ch. 8 - *Economic Growth I: Capital Accumulation and Population Growth*

Recommended Reading:

<https://twitter.com/dinapomeranz/status/933409395278573569?s=09>

Barro, R. J. and X. Sala-i-Martin (1995). *Economic growth*, Advanced Series in Economics. New York; London and Montreal: McGraw-Hill. Pages 1-13

http://www.stls.frb.org/news/speeches/1999/10_26_99.html

2. Economic Growth II: Endogenous Growth Theory

Required Readings:

Mankiw: ch. 9 - *Economic Growth II: Technology, Empirics, and Policy*

Easterly, W. (2001). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*: Cambridge and London: MIT Press. Pages 47-70.

Recommended Reading:

Mokyr, J. (1990). *The Lever of Riches: Technological Creativity and Economic Progress*: Oxford; New York; Toronto and Melbourne: Oxford University Press.

3. Empirical Evidence

Practice Problem Set #1: Using the Solow-Swan Model

Week 7

EXAM I (March 26th Double Class) Review plus exam?

NO Class on March 28th

Week 8

OFF

Week 9 and 10

III. Income and Price Determination in the Short-Run

A. Introduction to Business Cycles

Required Readings:

Mankiw: ch. 10 - *Introduction to Economic Fluctuations*

Practice Problem Set #2: Understanding Aggregate Expenditures and the Multiplier

B. The IS-LM Model

Required Readings:

Mankiw: ch. 11 - *Aggregate Demand I: Building the IS-LM Model*

C. Business Cycle Theory/ Aggregate Supply

Required Readings:

Mankiw: ch. 12 - *Aggregate Demand II: Applying the IS-LM Model*

Active Learning: Worker misperception imperfect info experiment?

Required Readings:

Mankiw: ch. 13 - *The Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime*

Week 11

Required Readings:

Mankiw: ch. 14 Aggregate Supply and the Short-run Tradeoff Between Inflation and Unemployment

Week 12

IV. Policy Debates

A. Stabilization Policy

Required Readings:

Mankiw: ch. 18 - *Alternative Perspectives on Stabilization Policy*

Practice Problem Set #3: Understanding fluctuations in IS/LM

B. Fiscal Policy and the Government Budget Deficit

Required Readings:

Mankiw: ch. 19 - *Government Debt and Budget Deficits*

Week 13

Common Currency areas

Required Readings:

Mankiw (Chapter 17 of European Version)

Practice Problem Set #3: Monetary Theory

Final Exam (To be scheduled)

Presentations (To be scheduled)

Grading and Exams (a.k.a. How I will assess your progress towards the above goals)

This class will involve a large amount of work. Your grade for this course will be determined by your performance relative to the entire class, with an “objective” minimum standard. Your performance will be measured using two exams, a presentation, problem sets and a paper. The percentage breakdown is given below:

Midterm Exam	20
Final Exam	50
Presentation	10
PS, quizzes, hw	10
<u>Paper</u>	<u>10</u>
Total	100

Recommended Reading:

Below is a list of suggested reading materials from which I will cull useful readings

Barro, R. J., & Sala-i-Martin, X. (1995). *Economic growth: Advanced Series in Economics*. New York; London and Montreal: McGraw-Hill.

Barro, R. J. (1997). *Determinants of Economic Growth : A Cross-Country Empirical Study*. Cambridge, Mass.: The MIT Press.

Keynes, J. M. (1964). *The General Theory of Employment, Interest, and Money* by John Maynard Keynes (1st Harbinger ed.). New York: Harcourt Brace & World.

Landes, D. S. (1998). *The Wealth and Poverty of Nations: Why Some are so Rich and Some so Poor*: New York and London: Norton.

Levitt, S. D., & Dubner, S. J. (2005). *Freakonomics : A Rogue Economist Explores the Hidden Side of Everything* (1st ed.). New York: William Morrow.

Mokyr, J. (1990). *The Lever of Riches: Technological Creativity and Economic Progress*: Oxford; New York; Toronto and Melbourne: Oxford University Press.

Romer, D. (1999). *Short-run Fluctuations*. Unpublished manuscript, Berkley.

Surowiecki, J. (2004). *The Wisdom of Crowds: Why the Many are Smarter than the Few and How Collective Wisdom Shapes Business, Economies, Societies, and Nations* (1st ed.). New York: Doubleday .:

O'Rourke, P. J. (1998). *Eat the rich* (1st ed.). New York: Atlantic Monthly Press.

Communication

I expect every student to make full use of the internet and its many wonders. I will use the primary email as my main method of contact outside of class.

Group work

Group work is often a mixed bag, providing both impediments to learning and opportunities that could not be created elsewhere. It is certainly challenging, but little else will prepare you for what you'll face in the "real" world. We will spend time working on improving your group skills.

In my eighth year I commenced learning Latin, in conjunction with a younger sister, to whom I taught it as I went on, and who afterwards repeated the lessons to my father; from this time, other sisters and brothers being successively added as pupils, a considerable part of my day's work consisted of this preparatory teaching. It was a part which I greatly disliked; the more so, as I was held responsible for the lessons of my pupils, in almost as full a sense as for my own: I, however, derived from this discipline the great advantage, of learning more thoroughly and retaining more lastingly the things which I was set to teach: perhaps, too, the practice it afforded in explaining difficulties to others, may even at that age have been useful.

- John Stuart Mill, *Autobiography*

On the importance of studying and understanding economics...

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.... But, soon or late, it is ideas, not vested interests which are dangerous for good or evil.

- John Maynard Keynes *The General Theory*

But the honest truth is that what drives me as an economist is that economics is fun. I think I understand why so many people think that economics is a boring subject, but they are wrong. On the contrary, there is hardly anything I know that is as exciting as finding that the great events that move history, the forces that determine the destiny of empires and the fate of kings, can sometimes be explained, predicted, or even controlled by a few symbols on a printed page. We all want power, we all want success, but the ultimate reward is the simple joy of understanding.

- Paul Krugman *Princeton University*