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ECON 153 01 (S06)

# **Macroeconomic Theory and Policy**

## **Econ 153b - Spring 2006**

**Instructor: Prof. Giuseppe Moscarini Classes: Mon and Wed, 1-2:15 pm**

**28 Hillhouse Avenue, Room 310 Room: WLH 113**

**tel. 432-3596**

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[www.econ.yale.edu/faculty1/moscarini.htm](http://www.econ.yale.edu/faculty1/moscarini.htm)

**Office hours: Thursday 4-6 pm**

**TA Weiyin Chew**

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**Section time and place: TBA**

**Description and prerequisites**

**This is a second, moderately advanced course in Macroeconomics. We will cover rigorously the main theoretical, empirical, and policy issues in the field. The broader goal is to convince you that Macroeconomics is an incredibly exciting field, addressing complex and fascinating questions and requiring sophisticated and ingenious thinking.**

**We will pay roughly equal attention to the macroeconomy in long run (growth, social security) and in the short run (business cycles), to theories and to empirical findings, to descriptive models and to applications to macroeconomic policies. We will study only the closed economy. After taking either Econ 153 or 154, you will be able to appreciate the additional complexities involved in International Macroeconomics, which is the focus of an elective.**

**We emphasize methodological issues: how to read aggregate economic data, how to build a macroeconomic model, and how to test/implement it empirically. Hence, this course is particularly appropriate for those of you who see themselves, in the near future and with positive probability, as producers as well as consumers of macroeconomic ideas. For example, if you plan to continue to study Economics in a graduate program, if you contemplate conducting research in Economics either in the private or in the policy sector, or if you have a general interest in Financial and Mathematical Economics, then this course is definitely for you. The Economics Department offers also Econ 154b, a slightly less advanced**

course that covers the same topics.

The prerequisites for Econ 153 reflect the goals of this course. We require two completed terms of introductory Economics (two of Econ 110, 115, 116), and either Math 118 or 120 (Calculus of Several Variables). No exceptions to this rule are possible. We will use calculus. You will have plenty of opportunities to refresh your memory and to practice your basic calculus again.

### Requirements for credit

Class attendance is both mandatory to earn credit and necessary to learn the subject. Classes run from January 9 to April 19 included. Following the Yale academic calendar, we will meet on Friday January 13, to make up for vacation on the following Monday, January 16, MLK day.

Beyond class attendance, there are three requirements:

1. Eleven problem sets (worth 20% of the total score.) You must hand in solutions to at least six of them to get credit for the course;
2. a mid-term exam (30%), in class on Monday, February 20, from 12:45 to 2:15 pm;
3. a final exam (50%), in a room TBA on Friday, May 5, from 9 am to 12 noon. Both exams are to be taken in the classroom, without books or notes.

You are encouraged (but, by no means, required) to work on the assignments in groups, no more than five students per group. In order to get credit, you must hand in your own *handwritten* copy of the solution and write on it clearly your name *and* the names of the students you worked with. Solving or at least trying to solve the assignments is the key to understand the material (and also to perform well in examinations).

Assignments, suggested solutions, handouts, and additional materials (such as additional readings and data) will be posted as pdf files on the class website, subpage "Materials". You can reach this site from <https://classesv2.yale.edu/portal/> with your netid and password. The material is under "Resources."

Thursday, 4-6 pm, or by appointment. The front door of the building where my office is located, the Economics Department's headquarters at 28 Hillhouse Avenue, is open from 8am to 5pm. After 5 pm, you should call me at 432-3596 (or 23596 from the bluebox at the corner of Trumbull and Hillhouse, a few steps from the building) to let me know that you need to get in. My administrative assistant is Adeline Bass, in 28 Hillhouse Avenue, room 101, tel. 432-3576. You are encouraged to e-mail me for simple clarification and organizational questions, but *not* for important communications concerning the course, which must always be given either on the phone or in person. In particular, if any unforeseen contingency forces you to skip a few classes or to stop studying for more than a day or two, please keep me informed.

### Textbook and readings

The textbook for this course, for sale from the Yale Bookstore, is: Stephen D. Williamson, *Macroeconomics*, Addison Wesley, 2<sup>nd</sup> edition, 2005. This textbook is pitched at a slightly higher level than the average intermediate textbook, is very up to date, and contains extensive discussions of real-world phenomena and current macroeconomic issues, as seen through the lens of the theories that we will study. The textbook also describes much recent research, with weblinks to the original documents, which provide natural extra readings. The textbook comes with a 6-month subscription to the Conference Board online Database, a fairly rich database of macroeconomic data that we will use in assignments. But I will also post the data on the class website. I will also post some notes to cover Topic V, that the book does not discuss, as well as few (no more than five) additional articles as we go. I plan to cover Topics I-III and probably also Chapter 8 before the mid-term examination.

## Topics

### I. Introduction and Measurement

Chapters 1, 2, 3

### II. Static Competitive General Equilibrium

Chapters 4, 5

### III. Economic Growth

Chapters 6, 7

### IV. The Workhorse: Two-Period Consumption and Investment Choice

Chapters 8, 9

### V. Overlapping Generations and Social Security

Notes in pdf posted on the ClassesV2 website

### VI. Business Cycles

Chapters 11, 12

### VII. Money and Monetary Policy

Chapters 10, 15, 17

### VII. Unemployment

Chapter 16

**Office hours and communications**