Business 33040: Macroeconomics
Professor Veronica Guerrieri

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Office Hours: By Appointment (available to answer questions via email).

Course Materials:
1. A course packet of readings which are not online (Required)
2. A subscription to the Economist (Required)

Course Objective:
This course is designed to introduce students to classic macroeconomic issues such as growth, inflation, unemployment, interest rates and exchange rates, technological progress, and budget deficits. The course will provide a unified framework to address these issues and to study the impact of different policies, such as monetary and fiscal policies, on the aggregate behavior of individuals. These analytical tools will be used to understand the recent experience of the United States and other countries and to address how current policy initiatives affect their macroeconomic performance.

A Note on Course Materials

The bulk of course materials will come from three sources: the lectures, the course readings and the textbook. Supplemental lecture notes will be posted on my web page approximately two days before I give the lecture and can be downloaded prior to class. These notes will be integration to the textbook and will give a solid framework for the lectures, but are by no means a substitute for the lecture. The lectures of the course will describe important empirical regularities about macroeconomics in order to help identify key questions, to guide model-building efforts, to evaluate the usefulness of the economic models, and/or to provide perspective on major economic developments.

The course readings come in two forms. About 20% of the readings are found in a course pack. These readings come from a variety of sources. The remaining readings come from the Economist. It is much more cost efficient for you to buy a subscription to the economist to access these readings online then for me to include the readings in the course pack (the copy-write fees on these articles far exceed the subscription to the Economist). If you do not want to buy a subscription to the Economist, you can use the GSB’s subscription. However, your online access will be limited to only GSB computers. See my course web page for how to access the GSB’s subscription. After each lecture, I will indicate which readings to focus on for the following week. I expect you to have completed the pre-course readings prior to week 1. Like the lecture notes, the course pack readings are not a substitute for the lectures. The readings from the course pack are fair game for all subsequent quizzes or exams.
How to Succeed in the Course

To succeed is simple: Come to class, follow the lectures and do all the readings!

Weekly Quizzes:

I am teaching 2 sections this term. They meet on Wednesday at 8:30 a.m. and at 1:30 p.m. on campus. Each class, I will give a short 10-15 minute (usually true/false) quiz covering the material from the previous week - including the readings. I will drop your lowest 2 quiz grades (no additional exceptions – I will only drop 2 quizzes). Quizzes will always take place at the BEGINNING of class.

Course Grade (and grading policies):

30% Quizzes
70% Midterm and Final (Midterm counts once, final counts twice - take the highest two of those three grades and count 35% each – i.e., the lowest of those three grades is dropped).

The first midterm will occur during week 6 and will last about 2 hours. The exam time for all students (both campus and week-end) will be two hours. If you cannot make these exam times and you want to take the midterm, you should not take my class. No alternate arrangements will be made.

Given my grading system above, you need not take the midterm (i.e., the midterm is optional). If you do not take the midterm, 70% of your course grade will be applied to the final. But, I strongly suggest you take the midterm and take it seriously. The midterm is easier than the final. That is my goal. I do not normalize the means of the midterm and final when computing the course average. I want to reward those who take the midterm and take the midterm seriously. If, for some reason (extreme medical emergency, death in the family) you cannot make the final exam, contact me in advance of the exam. For those who have an emergency and contact me in advance, you will be given a grade of an incomplete. For those who do not contact me in advance, you will fail the course. Those who receive an incomplete can sit the final exam the next time I teach this macro class (likely, although not guaranteed, winter 2009). I will then assign a course grade based on your midterm and final exam scores. I do not give any make up finals! Again, you must notify me in advance (or as soon as possible) if you are going to miss the final.

Any Quiz/Exam for which there is a re-grade request must be done within 7 days after I return the exam to you. The request for re-grade MUST be done in writing and attached to the exam when submitting the exam for a re-grade. The request must include a description of what the problem is and why you think the exam should be graded differently. In such cases, I will re-grade the whole exam – not just the question you identified.

Final

The exam times for the final are set by the GSB and not me. I NEVER offer alternate final times. You must be able to make the final time for one of the two sections if you enroll in my course.
**Communication**

On occasion, I will post email questions from students and my answers to these questions. I will discuss the questions that I think lots of students have. Hopefully, this will be an efficient way to disseminate information and review core material from the course. All student identifiers will be removed when I post the questions.

Note: If you do not want your question posted, you can explicitly state that in any emails you send.

Additionally, I will tend to only answer email questions 2 days a week. We will set these days as the class progresses. Tentatively, I will plan on allocating Wednesday mornings and Friday mornings for responding to emails.

**Honor Code**

Even if not explicitly stated on each test and quiz, the honor code is always in effect. By taking this course, you explicitly pledge your honor that you will not cheat (or help others to cheat) in any way on the quizzes/exams. Any violations will be punished to the greatest extent allowed.
Course Outline/Reading List

The articles listed are required reading. Readings marked with a (*) can be found in the course pack. All other readings can be found in the online version of the Economist (see course web page for information). Below, I list the tentative schedule of topics. This is the order in which we will be covering material in this class. It is tentative in the sense that some lectures are a little longer and may extend into the following class, while others are shorter, meaning I will introduce a new topic during that week’s lecture. After each lecture, I will tell you for which readings you will be responsible.

Topic 0: Getting in the Mood for Macro!

Pre-Course Readings (These are the readings you should do prior to week 1.) Goal: To frame the issues of the course via a few short articles from the popular press. We will explore many of the details of these articles throughout the course.

I. Overview of Macroeconomics


4. How Real is the New Economy? (Economist: 7/24/1999)

III. The Times They Are a Changin’: U.S./World Economy from 9/11/01 - 10/11/01

10. When the Economy Held Its Breath (Economist: 9/15/2001)
11. How Big a Blow (Economist: 9/22/2001)

IV. Economists and Politics


V. Economists and Public Discourse


VI. Macroeconomic Modeling

15. Big Questions and Big Numbers (Economist: 7/15/2006)
**Topic 1: Introduction to Macro Data**

Chapters 1, 2, and 3.5 from Text.

I. The Difficulty in Measuring Economic Variables

A. Difficulty in Measuring Prices

16. Fighting America's Inflation Flab (Economist: 10/7/2000)

B. Difficulty in Measuring Output/Output Growth

18. Economic Growth* (Brad De Long)

C. Difficulty in Measuring Unemployment


D. Difficulty Measuring Well Being


II. The Yield Curve

23. The Long and the Short of It (Economist: 1/7/2006)

**Topic 2: Production, the Labor Market and Economic Growth**

Chapters 3, 6.1 and 6.3 (skim 6.2 - do not worry about the math) from Text

I. Production and Labor Markets

24. Be Productive - Hit the Beach* (Newsweek)

II. Growth in the New Economy

29. To These, the Spoils (Economist: 5/11/2002)

III. Productivity and Regulation

31. Taped (Economist: 10/7/2006)
**Topic 3:  Consumption, Saving, and Investment**

*Chapters 4.1, 4.2 and Appendix 4.A from Text*

I. Consumption/Savings

32. Consumers to the Rescue?  (Economist: 4/7/2001)
34. The Shift Away from Thrift  (Economist: 4/9/2005)

II. Investment

36. From Investment Boom to Bust  (Economist: 3/3/2001)

**Topic 4:  Fiscal Policy**

*Chapter 15 (skip 15.4) and 9.2 from Text*

I. Government Savings


II. Taxes

40. The Case for Flat Taxes  (Economist: 4/16/2005)

III. Supply Side Economics

41. Europe Isn’t Working (Regulation)  (Economist: 4/5/1997)
42. Supply-Side Virus Strikes Again *  (Paul Krugman: 8/15/1996)

IV. Fiscal Policy in Action

43. Squabbles over the Stimulus  (Economist: 10/13/2001)
44. Why the War Against Terror Will Boost the Economy* (Robert Barro: 11/5/2001)
**Topic 5: Introduction into Money/Federal Reserve Policy**

*Chapters 7, 9.3, 14.1 and 14.2 from Text*

**I. Monetary Basics**

45. Some Monetary Facts* (McCandless and Weber)
46. The Importance of an Asymmetric Directive* (Thorton)
48. Vulgar Keynesians* (Krugman)

**II. Monetary Policy In Action**

49. What the Fed Can’t Do* (Robert Barro: 8/19/1994)
50. A Blunt Tool (Economist: 6/30/2001)
51. Haughty Indifference or Masterly in Inactivity? (Economist: 7/16/2005)

**Topic 6: Inflation and Unemployment in the Short Run (Putting it All Together)**

*Chapters 8-11 from Text*

**I. A Look at Recessions**

52. Even Fed’s Greenspan is Fallible When Trying to Predict a Recession* 
53. The Kiss of Life? (Economist: 4/21/2001)
54. Bernanke’s bounty (Economist: 10/22/2007)

**II. Why We Care about Inflation**

55. A Good Word for Inflation (the benefits of inflation?)* (Krugman)
56. Loads of Money (German Hyperinflation) (Economist: 12/31/1999)

**III. Should We Care About Deflation?**


**IV. Shifts in Aggregate Supply: Technology Shocks**


**V. Shifts in Aggregate Supply: Oil Shocks**

I. A Current Policy Discussion

64. Overflowing (Economist: 3/13/2004)

II. The Inflation/Unemployment Tradeoff

65. What Happened to the Phillips Curve* (Brad Delong)
66. Curve Ball (Economist: 9/30/2006)

III. Monetary Rules (see web page for online locations)

68. The Taylor Rule
71. Federal Reserve Board: Remarks By Chairman Alan Greenspan - 10/11/01 * (Discussion of the Transparency in Monetary Policy)

IV. Putting it all Together

72. A Nasty Whiff of Inflation (Economist: 9/24/2005)
73. Between Bears and Hawks (Economist: 5/13/2006)
**Topic 8: Special Topics**

**I. The Benefits of a Recession**

74. The Uses of Adversity (Economist: 8/19/2006)
74. Dos America need a recession? (Economist: 8/25/2007)

**II. Housing and the Macroeconomy**


**III. The Subprime Crisis**

76. Tangled Reins (Economist: 9/8/2007)
77. Confidence Trick (Economist: 9/22/2007)

**IV. A Primer on Japan in the 1990s.**

78. Chronic Sickness (Economist: 6/2/2001)

**V. China**

80. From T-Shirts to T-Bonds (Economist: 7/30/2005)

**VI. The European Union**


**Topic 9: The International Economy**

Chapter 5 and 13 from Text


81. Reflections on the Trade Deficit and Fiscal Policy