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. I will also make available some supplemental lecture notes on my web page. 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.
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 3 sections this term. They meet on Tuesday and Thursday at 1:30 p.m. on campus and on Tuesday at 6:00 p.m. at the Gleacher Center. 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 evening) 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.

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 three sections if you enroll in my course.

Review Sessions

Two review sessions will be offered, one on the Friday before the midterm and one on the Friday before the final.

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 Monday mornings and Thursday 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)
8. By the Numbers (Economist: 8/13/2005)

**III. The current crisis**

10. When fortune frowned (Economist: 10/9/2008)

**IV. Economists and Politics**


**V. 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)
   17. Feeling the Heat  

B. Difficulty in Measuring Output/Output Growth
   18. Economic Growth*  
       (Brad De Long)
   19. Leading Us Astray?  

C. Difficulty in Measuring Unemployment
   20. It’s The Taking Part That Counts  
       (Economist: 7/30/2005)

D. Difficulty Measuring Well Being
   21. Grossly Distorted Picture  

E. Difficulty Assessing Recessions
   22. Redefining Recession  
       (Economist: 9/11/2008)

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)
   25. A Strange Recovery  
       (Economist: 8/9/2003)
   26. The Land of Leisure  
       (Economist: 2/4/2006)

II. Growth in the New Economy
   27. Performing Miracles  
   28. To These, the Spoils  
   29. The New “New Economy”  
       (Economist: 9/13/2003)

III. Productivity and Regulation
   30. 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**


II. **Investment**

35. 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**

38. The Money Comes Pouring In (Economist: 7/15/2006)

II. **Taxes**


III. **Supply Side Economics**

40. Europe Isn’t Working (Regulation) (Economist: 4/5/1997)

IV. **Fiscal Policy in Action**

42. Why the War Against Terror Will Boost the Economy* (Robert Barro: 11/5/2001)
43. Bush expects deficit to double* (FT: 02/05/2008)
44. The doctors’ bill (Economist: 9/25/2008)

**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)
47. Vulgar Keynesians* (Krugman)
48. Blocked Pipes (Economist: 10/02/2008)
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)
52. US banks quietly borrow $50bn from Fed via new credit facility* (FT: 02/19/2008)
53. A Monetary Malaise (Economist: 10/9/2008)

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

Chapters 8-11 from Text

I. A Look at Recessions

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

II. Why We Care about Inflation

57. A Good Word for Inflation (the benefits of inflation?)* (Krugman)
58. 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

63. Counting the Cost (Economist: 8/27/2005)
64. Running out of gas (Economist: 9/11/2008)

Topic 7: A Deeper Look at Policy in Action

Chapter 12 and 14.3 from Text

I. A Current Policy Discussion

II. The Inflation/Unemployment Tradeoff

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

III. Monetary Rules

70. Money Rules (Economist: 10/24/1998)

IV. Putting it all Together

71. A Nasty Whiff of Inflation (Economist: 9/24/2005)
72. Between Bears and Hawks (Economist: 5/13/2006)

Topic 8: Special Topics

I. The Current Financial Crisis

73. Confidence Trick (Economist: 9/22/2007)
74. When to bail out (Economist: 10/4/2007)
75. Diamond and Kashyap on the Recent Financial Upheavals* (NYT: 10/20/2008)
76. Lessons from a “Lost Decade” (Economist: 8/21/2008)
77. 1929 and All That (Economist: 10/2/2008)
78. Not Yet the Last Resort (Economist: 10/9/2008)

II. A Primer on Japan in the 1990s.

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

IV. Housing and the Macroeconomics

83. Houses Built on Sand (Economist: 9/13/2007)
84. Home Truths (Economist: 9/7/2008)

Topic 9: The International Economy

Chapter 5 and 13 from Text

86. The domino effect (Economist: 7/3/2008)
87. Inflated claims (Economist: 8/14/2008)