

University at Albany  
State University of New York

**Economics 501: Macroeconomics  
Fall 2009**

Section 25560: FA 114; MWF 1:40-2:35 p.m.

**Instructor**

John Bailey Jones

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<http://www.albany.edu/~jbjones/eco501/eco501.htm>

Office Hours: Tuesday and Thursday, 10:30-12:00; and by appointment

**Course Objectives**

Macroeconomics is the study of how national economies behave. In this course, we will consider:

1. Why economic activity fluctuates over time.
2. Why some economies grow more rapidly than others.
3. How government policies affect economies.

In doing this, we will first discuss how a country's "economic activity" is measured, and then develop models of how this economic activity is determined. In discussing these economic models, we will regularly consider whether the assumptions that underlie these models and the predictions that these models make are consistent with the data.

**Text**

The main text is *Macroeconomics*, third edition, by Stephen D. Williamson (Addison-Wesley, 2008). While I will work from the third edition, the second edition (2005) is very similar and probably much cheaper.

The reading list also includes several supplementary articles:

1. Ronald Lee, "The Demographic Transition: Three Centuries of Fundamental Change," *Journal of Economic Perspectives*, 17(4), Fall 2003, pp. 167-190, available at <http://www.jstor.org/stable/pdfplus/3216936.pdf>.
2. Roger W. Ferguson Jr. and William L. Wascher, "Distinguished Lecture on Economics in Government: Lessons from Past Productivity Booms," *Journal of Economic Perspectives*, 18(2), Spring 2004, pp. 3-28, available at <http://www.jstor.org/stable/pdfplus/3216888.pdf>.

3. Christina D. Romer, "Changes in Business Cycles: Evidence and Explanations," *Journal of Economic Perspectives*, 13(2), Spring 1999, pp. 23-44, available at <http://www.jstor.org/stable/pdfplus/2647116.pdf>.
4. Jeremy Greenwood, "Modern Business Cycle Analysis," Rochester Center for Economic Research Working paper no. 520, September 1994 (posted July 2005) [http://rcer.econ.rochester.edu/RCERPAPERS/rcer\\_520.pdf](http://rcer.econ.rochester.edu/RCERPAPERS/rcer_520.pdf).
5. Satyajit Chatterjee, "Real Business Cycles: A Legacy of Countercyclical Policies," *The Region*, March 1999, available at <http://minneapolisfed.org/pubs/region/99-03/cycles.cfm>.

These articles can be obtained from the library or the instructor. As noted above, all of the articles are also available online.

### **Grading Scheme**

Your grade will be based on a weighted average of your numerical grades on 2 exams, 5 homeworks, a short paper, and class participation.

<u>Item</u>	<u>Date</u>	<u>Grading Weight</u>
Midterm Examination	Monday, Oct. 26	30 percent
Final Examination	Wednesday, Dec. 16	40 percent
Short Paper	Monday, Nov. 23	15 percent
Homeworks	See Below	10 percent
Class Participation	All Times	5 percent

There are no sources of extra credit.

### **Examinations**

There will be a midterm and a final exam:

1. Midterm: Monday, October 26, covering material (approximately) from August 31 through October 16.
2. Final: According to the [University Schedule](#), the final will be held in the regular lecture room on Wednesday, Dec 16, 8:00–10:00 a.m. The final will cover material (approximately) from October 19 to December 7. Although the final is not explicitly cumulative, the material covered in the second half of the course will require a deep familiarity with the material covered in the first half.

## **Homeworks**

There will be 5 homework assignments.

	<u>Assigned</u>	<u>Due</u>
Homework No. 1	Wednesday, Sept. 16	Wednesday, Sept. 23
Homework No. 2	Monday, Oct. 5	Monday, Oct. 12
Homework No. 3	Wednesday, Oct. 14	Wednesday, Oct. 21
Homework No. 4	Wednesday, Nov. 11	Wednesday, Nov. 18
Homework No. 5	Friday, Dec. 4	Friday, Dec. 11

Students are encouraged to work in teams of two. Each team can hand in a single set of answers on behalf of its members. Please be sure to list both members of the team on such joint efforts.

## **Short Paper**

The short paper is a 5-to-10-page (double-spaced, typed) analysis of some current event. Papers will be due Monday, November 23. The aim of this exercise is to apply the models used in class; papers should make explicit reference to one or more models discussed in class, and graphical analyses are strongly encouraged.

## **Policy on Absences and Due Dates**

All assignments are mandatory. Make-up examinations will be granted when students have: illnesses; family emergencies; or three finals in one day. In rare extreme cases, an assignment will be waived, and the associated grading weight shifted to other assignments.

Homeworks and short papers will be due at the beginning of class. Late assignments will be penalized, except for the reasons listed above.

## **Other Policies**

Exams will require a calculator. While scientific and/or financial calculators are both acceptable, calculators embedded in cell phones are not.

If a student is dissatisfied with his grade on a homework or examination, he can request that it be regraded in its entirety. Individual questions will not be regraded, but I will provide specific explanations during office hours.

Academic dishonesty (cheating, plagiarism, etc.) will be dealt with as severely as possible.

## Tentative Outline

1. Introduction	Williamson, Ch. 1	Aug. 31
2. Measuring Economic Activity	Williamson, Ch. 2	Sept. 2-14
3. Consumer and Firm Behavior	Williamson, Ch. 4	Sept. 16-21
4. A One-Period Macroeconomic Model	Williamson, Ch. 5	Sept. 23 – Oct. 5
5. Exogenous Economic Growth	Williamson, Ch. 6 Lee	Oct. 7-14
6. Endogenous Growth	Williamson, Ch. 7 Ferguson and Wascher	Oct. 16
7. Private and Government Saving	Williamson, Ch. 8	Oct. 19-30
8. A Two-Period Macroeconomic Model	Williamson, Ch. 9	Nov. 2-11
9. The Role of Money	Williamson, Ch. 10	Nov. 13-20
10. Business Cycles: Measurement	Williamson, Ch. 3 Romer	Nov. 23
11. Market-Clearing Models of Business Cycles	Williamson, Ch. 11 Greenwood Chatterjee	Nov. 30
12. The Keynesian Approach	Williamson, Ch. 12	Dec. 2-7
13. The Inflation-Unemployment Trade-off	Williamson, Ch. 17	Time Permitting

In addition to the readings listed above, students can review the slides used in each lecture, at <http://www.albany.edu/~jbjones/eco501/eco501.htm>. Slides will usually be posted a few days in advance of the lectures. It is worth stressing the lectures will include material not explicitly discussed in the slides, which is to say that **the slides are not complete**. You will be responsible for this additional material.