



Macroeconomic Theory

Econ 250B – Spring 2020

Middlebury College Department of Economics

Professor: Andrew Fieldhouse

Contact: afieldhouse@middlebury.edu

Office: Warner 305F

Office Hours: Tuesdays 3-4:30pm, Wednesdays 1:30-3pm, and by appointment

Lectures: 11am-12:15pm Tuesday, Thursday in Twilight Hall 302

Course Description: Macroeconomic theory analyzes whether the market effectively coordinates individuals' decisions so that they lead to acceptable results. It considers the effectiveness of monetary, fiscal, and other policies in achieving desirable levels of unemployment, inflation, and growth. The theories held by various schools of economic thought such as Keynesians, monetarists, and new classicals are considered along with their proposed policies.

Prerequisites: MATH 0121 and ECON 0150.

Website: Canvas, accessible through the [Middlebury Course Hub](#).

Required Textbook: Blanchard, Olivier J., 2016, *Macroeconomics*, 7th Edition, Boston, MA: Pearson. **ISBN-13:** 978-0133780581.

Note: The textbook has been ordered through the campus bookstore. The 7th Edition has been substantially revised, so using previous editions is not recommended. We will *not* be using Pearson's MyEconLab — you only need the textbook or eText.

You have complimentary access to the eText of *Macroeconomics* for the first two weeks of class through Middlebury's Inclusive Access pilot program. The eText is available through Canvas: click the "BookShelf by VitalSource" link under the Week 1 and Week 2 modules. **You are automatically opted in and the last day to opt out—and avoid paying for the eText—is Monday, February 24.**

Weekly News Readings: In addition to Blanchard's *Macroeconomics*, you should be reading about macroeconomics, international trade, financial economics, or political economy from a reputable news source for an hour every week. Good sources include *The Wall Street Journal*, *Financial Times*, *The New York Times*, *The Washington Post*, *The Economist*, and [Vox.com](#). (*The Economist* has an [introductory offer](#) of a 12-week subscription for only \$12.) Keeping up with economic and political news (domestic and international) will help you apply what we learn to better understanding contemporary events, and hopefully appreciate the applicability of this course to the real world. Reading and thinking critically about economic reporting will also help you with our two writing assignments (see below).

Course Objectives: At the completion of this course, students will be able to:

1. Develop a model of of aggregate economic activity that allows us to analyze monetary and fiscal stabilization policy, and apply this framework to real world policy choices.
2. Take an informed stance on whether various government policies can be used to improve macroeconomic performance.
3. Recognize and contrast determinants of short-run economic fluctuations versus long-run economic growth.
4. Assess how economies are linked through international trade and financial flows, and appraise how macroeconomic policy operates through exchange rates.
5. Assemble and interpret macroeconomic times series data to advance an argument.
6. Comprehend and critique contemporary economic journalism, e.g., *The Economist* or *Wall Street Journal*.

Overview of Assessment and Grade Determination:

Problem Sets	10%	Due: Periodically
Weekly News Readings	5%	Due: Periodically
Midterm 1	20%	Scheduled: March 12
FOMC Project	5%	Assigned: March 17 Due: March 31
Midterm 2	20%	Scheduled: April 14
Recovery Act Policy Memo	15%	Assigned: April 16 First draft due: April 23 Return/receive peer feedback: April 30 Final submission due: May 7
Final Exam	25%	Tentatively Scheduled: May 16 (7-10pm)

Course Structure and Assessment: The majority of your course grade will be determined by three examinations in which you must demonstrate your comprehension of the course material and applications to novel problem extensions. The exams will reward the development of your analytical thinking and problem solving skills, not rote memorization. Short, periodic problem sets will provide practice for such problem solving techniques and structure to help keep you on top of the course material. In addition to exams and problem sets, you will also be assigned one short and one longer writing project. Clear, effective writing is a fundamental, requisite skill that every college graduate should possess! And the more technical, positive style of writing and analysis through the lens of economics is a particularly useful skill to develop for the professional world.

The course is graded based on a criterion reference, as opposed to grading students relative to one another, say by fitting the raw distribution of grades to a bell curve. You should view your fellow students as collaborators and academic resources, not as competition!

Exams (65%): You will have two midterm exams in class on Thursday, March 12 and Tuesday, April 14, each of which is worth 20% of your course grade. The final exam is

cumulative and counts for 25% of your grade (tentatively scheduled for Saturday, May 16 from 7-10pm). There are no make-up exams for the midterms or final. If you are forced to miss a midterm for a legitimate reason, your academic advisor must send me an email explaining why you missed the midterm. If you miss one of the midterms, the final exam will count for 45% of your course grade; if you miss both midterms, the final exam will count for 65% of your grade. Missing the final for a legitimate reason will earn an “incomplete.” All exams are closed book and closed note.

We all have bad testing days, and underperforming our potential because of extenuating circumstances – say a bad night’s sleep or mid-semester stress factors – should not be penalized in your course grade. With this in mind, you may also decide to drop your midterm(s) if you think your grade is not reflective of your potential performance. If you wish to drop a midterm, you must email me within a week of receiving your grade, and this decision is irreversible. If you drop one midterm, the final will count for 45% of your grade; if you choose to drop both midterms, the final will count for 65% of your final grade. Weigh this option carefully; placing 65% of your course grade on your final exam is not without risk.

FOMC Project (5%): During our study of the Federal Reserve’s conduct of monetary policy, you will analyze the Federal Open Market Committee’s policy statement issued Wednesday, March 18. You will be asked to write a one-page article for *The Wall Street Journal* or *Financial Times* explaining that decision, and its relevant context. The project will be assigned on Tuesday, March 17 and is due in class on Tuesday, March 31; past this deadline your submission will lose half a letter grade for each day it is late (i.e., A- to B+). As with the essay, this assignment is an opportunity for you to demonstrate knowledge of theory and course material to a real world application, and to hone your writing as an economist. It is also intended to help you comprehend and critique contemporary economic journalism. The full prompt is available on our course Canvas website.

Recovery Act Policy Memo (15%): You will write one short essay on the use of fiscal stimulus during the Great Recession, applying our analytical toolkit, course content, and basic research skills to the lens of a real world policy question. Putting yourself in the shoes of an economist with the Council of Economic Advisors in January 2009, you will draft a four-page memo analyzing the macroeconomic merits of the American Recovery and Reinvestment Act, a \$787 billion package of tax cuts, transfers, infrastructure spending, unemployment benefits, and state fiscal relief that was drafted (and enacted) in response to the Great Recession. Your memo is intended to inform President Obama’s decision to enact or veto the bill. The full prompt is available on our course Canvas website.

For many of you, much of your professional work will involve open-ended projects that apply prior knowledge and research skills to a new question—skills that this assignment are meant to foster. In particular, this assignment will give you an opportunity to practice assembling and interpreting macroeconomic times series data to advance an argument. Much of your work in the professional sphere is also likely to be collaborative, rather than individualistic; giving and strategically incorporating constructive feedback are important skills to develop before graduating, both of which should improve your writing and organization. With that in mind, a first draft of your memo will be due on April 23, two weeks ahead of your final submission due date. You will be assigned a partner with whom to exchange your draft

memos, and you will each have one week to give your partner feedback on their drafts, which must be returned to your partner in class on April 30. You will then have time to incorporate any feedback on your draft and revise your memo before the final submission is due on May 7; past this deadline your submission will lose half a letter grade for each day it is late.

Problem Sets (10%): You will have six macro theory problem sets assigned throughout the semester, with two problem sets assigned ahead of each exam (as practice problems for material covered on that exam). You will also have one math review problem set at the very beginning of the semester, and which should prove helpful throughout our class. **Neither email submissions nor late problem sets will be accepted**, but your lowest grade will be dropped, to accommodate for any extenuating circumstances. The average score of your remaining six problem sets will be worth 10% of your course grade. Solutions to each problem set will be posted within a few days of their due date. Our problem sets will be due: **2/18, 2/27, 3/10, 3/19, 4/9, 4/28** and **5/5**.

Weekly News Readings Posts (5%): You are expected to spend an hour a week reading about macroeconomics, international trade, financial economics, or political economy from a reputable news source (see above). These reading will help underscore the real-world applicability of the theory and concepts we study, and will also advance our course objective of comprehending and critiquing contemporary economic journalism. Five times throughout the semester I will ask you to submit a short post to Canvas about an article you chose to read that week. Each short post must entail the following six elements: Title of article; name of publication; link to article; your one-sentence takeaway from the article; your one-sentence critique of the article; and your one-sentence take on how the article relates to Econ 250.

Academic Policies: Attendance is expected but not required for lectures, but you will greatly benefit from attending! Periodic attendance of office hours is also highly recommended, as are study groups. You are encouraged to work collaboratively on problem sets, but must turn in individual assignments and list (any) collaborators on the first page. **Written explanations or short answers should never read verbatim.**

All work must conform with Middlebury's [Academic Honesty and Honor Code Policies](#).

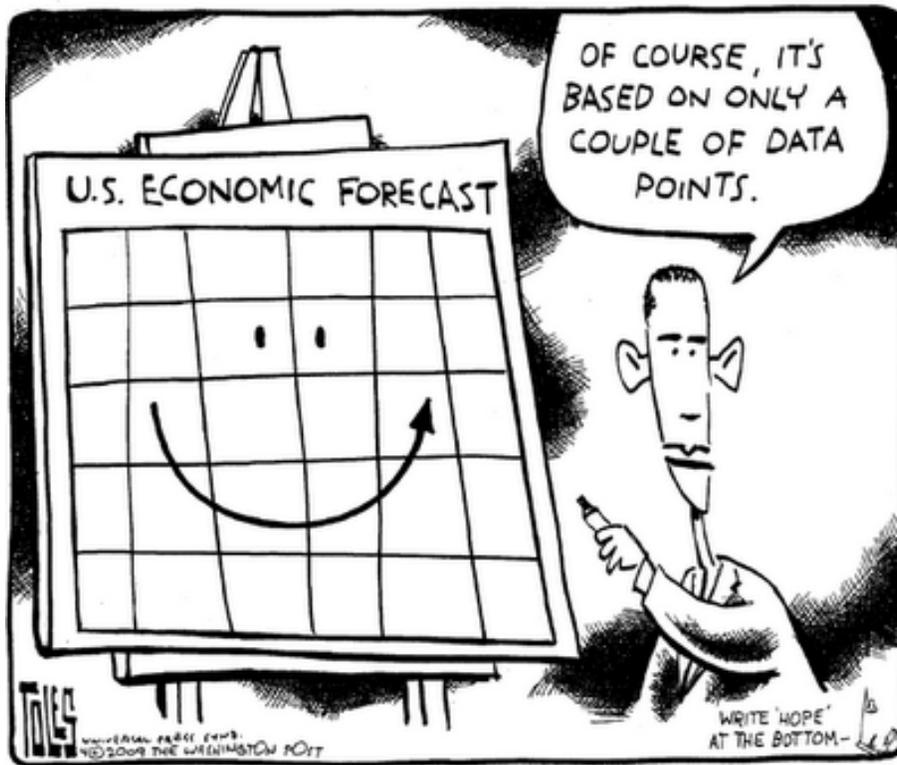
After consulting student life administrators and evaluating student feedback, the Department of Economics will continue to proctor exams in its core courses, including ECON 250. Consequently, all exams in this course will be proctored.

Lastly, it is a violation of college policy and FERPA to discuss grades via email: If you have a question about your grade, please make an appointment to meet during office hours.

Email Policy: I will do my best to respond to emails in a timely fashion during regular business hours (9am–5pm, Monday–Friday). But this policy cuts both ways: You are responsible for reading emails and Canvas announcements in a timely fashion during regular business hours. Most questions about course material, particularly algebra or graphs, should be raised during office hours or class, not via email: Your classmates will likely benefit from any clarification as well. And as when you enter the workforce, emails should always be written respectfully and professionally.

Tutoring: While periodic attendance of office hours is encouraged, the [Center for Teaching, Learning, and Research](http://www.middlebury.edu/academics/resources/ctlr/students/tutoring) also offers peer tutoring support for ECON 250. Time and location for drop-in hours: <http://www.middlebury.edu/academics/resources/ctlr/students/tutoring>

Special Accommodations: If you are allowed special accommodations for lectures or tests, please provide me a letter from Student Accessibility Services at least a week before accommodations are needed. Please contact Jodi Litchfield (litchfie@middlebury.edu) or Michelle Audette (maudette@middlebury.edu) for more info about Student Accessibility Services.



Tentative Course Outline

Note: Weekly coverage might change slightly depending on the pace of the class.

Problem sets are due on bolded dates.

Week	Content
1: 2/11, 2/13	<ul style="list-style-type: none"> • Introduction and Measuring the Macroeconomy • Reading: Blanchard Chapter 2, Appendix to Chapter 1
2: 2/18, 2/20	<ul style="list-style-type: none"> • The Goods Market and Fiscal Policy • Reading: Blanchard Chapter 3
3: 2/25, 2/27	<ul style="list-style-type: none"> • Financial Markets and Monetary Policy • Reading: Blanchard Chapter 4
4: 3/3, 3/5	<ul style="list-style-type: none"> • Short-run Equilibrium: The <i>IS-LM</i> Model • Reading: Blanchard Chapter 5
5: 3/10, 3/12	<ul style="list-style-type: none"> • The Extended <i>IS-LM</i> Model and Financial Shocks • Reading: Blanchard Chapter 6 • Midterm 1 on 3/12 (Ch. 2–5)
6: 3/17, 3/19	<ul style="list-style-type: none"> • The Labor Market • Reading: Blanchard Chapter 7
7: 3/31, 4/2	<ul style="list-style-type: none"> • FOMC Project Due 3/31 • Policy Targets: Unemployment and Inflation • Reading: Blanchard Chapter 8
8: 4/7, 4/9	<ul style="list-style-type: none"> • Medium-run Equilibrium: The <i>IS-LM-PC</i> Model • Reading: Blanchard Chapter 9 • The Open Economy • Reading: Blanchard Chapters 17
9: 4/14, 4/16	<ul style="list-style-type: none"> • Midterm 2 on 4/14 (Ch. 6–9) • The Open Economy Goods Market • Reading: Blanchard Chapter 18
10: 4/21, 4/23	<ul style="list-style-type: none"> • The Open Economy <i>IS-LM</i> Model • Reading: Blanchard Chapter 19 • First Draft of Recovery Act Essay Due 4/23
11: 4/28, 4/30	<ul style="list-style-type: none"> • Long-run Growth • Reading: Blanchard Chapter 10 • Peer Feedback for Recovery Act Essay Due 4/30
12: 5/5, 5/7	<ul style="list-style-type: none"> • Long-run Growth and Capital Accumulation • Reading: Blanchard Chapter 11 • The Evolution of Macro and Lessons from the Great Recession • Reading: Blanchard Chapter 24 • Final Submission of Recovery Act Essay Due 5/7