

**Macroeconomic Analysis: Basic
WWS 512b
Woodrow Wilson School
Princeton University
Spring Term 2006**

Syllabus

Mondays and Wednesdays 10:40-12:10

Room: TBA

Course Web Site: https://blackboard.princeton.edu/pucourse/WWS512B_S2006

Professor Esteban Rossi-Hansberg

309 Fisher Hall

Office Hours: Wednesdays 2:00 – 4:00

Phone: (609) 2584024

E-mail: erossi@princeton.edu

<http://www.princeton.edu/~erossi/>

Preceptor Thomas Wu

Office: B09 Fisher Hall

Phone: (609) 3562311

E-mail: tyw@princeton.edu

Precepts: TBA

Course Description:

This is an intermediate, non-technical, course in macroeconomics. We will study economic growth and the factors that lead to economic development. We will focus on the determinants of income differences across countries and the role of economic policy in promoting economic growth. We will also study economic fluctuations, or business cycles, in particular their importance and causes and the role of policy in stabilizing them. In the last part of the course we will study monetary and fiscal policy in detail and the arguments and observations that guide these policies in practice.

Prerequisites:

The prerequisite is WWS 511b or equivalent. However, no previous exposure to macroeconomics is assumed. I will keep math to the minimum necessary. Students who have already taken an intermediate-level course in macroeconomics should seriously consider taking WWS 512c.

Course Materials:

The main textbook for the course is

- *Macroeconomics* by Andrew B. Abel and Ben S. Bernanke, Fifth Edition, Addison Wesley. (from now on AB)

Given the focus of the course on economic growth we will also use

- *Introduction to Economic Growth* by Charles I. Jones, Second Edition, Norton. (from now on J)

In addition you will have to read two books that describe, in non-technical terms, the evolution of ideas on economic growth

- *The Elusive Quest for Growth* by William Easterly, MIT Press. (from now on E)
- *The Mystery of Economic Growth* by Elhanan Helpman, Harvard University Press. (from now on H)

All other readings will depend on current events and I will distribute them in class or post them in the course website.

Requirements and Grading:

I will assign 5 problem sets during the semester. You are encouraged to work in groups and discuss the problems sets with your classmates. The preceptor will grade all problem sets and any questions on the problem sets should go directly to him.

There will be a midterm and a final exam. **The midterm will be on March 15 and the final on May 17** (these dates are preliminary and can be modified by the WWS). Active class participation is strongly encouraging.

Your grade will be calculated according to

- Homework Assignments: 20 percent
- Midterm Exam: 30 percent
- Final Exam: 50 percent

Exceptional class participation can help in marginal cases.

Course Outline:

This is only a proposed schedule. It may be modified to reflect the actual pace of the course. All readings are required and I will assume that you have read them carefully before the class. Reading all the class materials is one of the most important parts of the course!

February 6: Introduction
Readings: AB Chapter 1

February 8: Measurement and Basic Facts
Readings: AB Chapter 2, J Chapter 1, E Section I, H Preface and Chapter 1

February 13: Economic Growth Basics
Readings: AB Chapter 3.1, E Chapter 2, H Chapter 2

February 15: The Solow Model
Readings: AB Chapter 6.1 and 6.2, J Chapter 2

February 20: The Solow Model (Continued)
Readings: E Chapter 3

February 22: Solow's Model Implications
Readings: J Chapter 3, E Chapters 4, 5

February 27: Productivity and Growth
Readings: J Chapter 4, E Chapters 6, 7, H Chapter 3

March 1: Innovation and Engines of Growth
Readings: J Chapter 5, H Chapter 4

March 6: Other Factors that Determine Growth
Readings: J Chapter 7, E Chapters 8 and 9

March 8: Growth and Trade
Readings: AB Chapter 5, H Chapter 5

March 13: Growth, Natural Resources and Institutions
Readings: J Chapters 9 and 10, H Chapter 6

March 15: Midterm Exam

March 18-26: Spring Recess

March 27: Long Term Economic Policy
Readings: AB 6.3, J Chapter 10, E Chapter 10 and 11

- March 29: Long Term Policy (Continued)
Readings: AB 6.3, E Chapter 12, 13, 14
- April 3: Business Cycles
Readings: AB Chapter 8
- April 5: Classical Business Cycle Theories
Readings: AB Chapter 10
- April 10: Business Cycles and Price Rigidity
Readings: AB Chapters 8
- April 12: Business Cycles and Price Rigidity
Readings: AB Chapters 11
- April 17: Unemployment
Readings: AB Chapters 3.2-3.6 and 12
- April 19: Unemployment and Inflation
Readings: AB Chapter 12
- April 24: Monetary Policy
Readings: AB Chapter 14.1 and 14.2
- April 26: Monetary Policy in Practice
Readings: AB Chapter 14.3
- May 1: Fiscal Policy
Readings: Chapter 15
- May 3: Discussion and Questions
- May 17: Final Exam