

**Macroeconomic Analysis: Basic
WWS 512b
Woodrow Wilson School
Princeton University
Spring Term 2008**

Syllabus

Mondays and Wednesdays 10:40 –12:10

Room: 001 Robertson Hall

Course Web Site: https://blackboard.princeton.edu/pucourse/WWS512B_S2008

Professor Esteban Rossi-Hansberg

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Preceptor Dean Spears

Office Hours: Mondays and Tuesdays 4:00 – 5:00 in Robertson 450 and Wednesdays

1:00-2:30 in Robertson 404c

E-mail: dspears@Princeton.EDU

Precepts: Mondays 5:00 – 7:30 pm and Tuesday 7:30 – 10:00 pm. Room: TBA

(Both precepts will cover the same material so you can choose which one to attend)

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, Ben S. Bernanke and Dean Croushore, Sixth Edition, Addison Wesley. (from now on AB)
 - The fifth edition by the first two authors is acceptable

In addition you will have to read one books that describes, 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)

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 (the 5th one is voluntary). You are encouraged to work in groups and discuss the problem 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 12 and the final on May 14** (these dates are preliminary and can be modified by the WWS). Active class participation is strongly encouraged.

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 4: Introduction

- February 6: Introduction
- February 11: Measuring the Economy
Readings: AB Chapter 2
- February 13: Measuring the Economy
Readings: AB Chapter 2
- February 18: Measuring the Economy
Readings: AB Chapter 2
Problem Set 1 Distributed
- February 20: Growth and Development
Readings: AB Chapter 6, E Chapters 1 and 2
- February 25: Growth and Development
Readings: AB Chapter 6, E Chapters 3 and 4
Problem Set 1 Due
- February 27: Growth and Development
Readings: AB Chapter 6, E Chapters 5 and 6
- March 3: Growth and Development
Readings: AB Chapter 6, E Chapter 7
Problem Set 2 Distributed
- March 5: Growth and Development
Readings: AB Chapter 6, E Chapters 8 to 11
- March 10: Growth and Development
Readings: AB Chapter 6, E Chapters 12 to 14
Problem Set 2 Due
- March 12: Midterm Exam
- March 15-23: Spring Recess
- March 24: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10
- March 26: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10
- April 2: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10

Problem Set 3 Distributed

- April 7: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10, Lucas Lecture (Web Page)
- April 9: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10
Problem Set 3 Due
- April 14: Business Cycles
Readings: AB Chapters 3, 4, 7, 8, 9, 10
- April 16: Inflation
Readings: AB Chapters 12.3 and 15.4, Bernanke Article (Web Page)
Problem Set 4 Distributed
- April 21: Inflation
Readings: AB Chapters 12.3 and 15.4
- April 23: Exchange Rates and the Open Economy
Readings: AB Chapter 13
Problem Set 4 Due
- April 28: Exchange Rates and the Open Economy
Readings: AB Chapter 13
Problem Set 5 Distributed
- April 30: Exchange Rates and the Open Economy
Readings: AB Chapter 13
- May 14: Final Exam