Course Description: This course is an in-depth explanation of how macroeconomic models help us explain and predict the behavior of the aggregate economy in the very long run, the long run, and the short run. The course consists of four modules. We begin with the examination of the different macroeconomic performance measures of GDP growth, inflation rate, and unemployment rate and follow it up with the discussion of the economy in the long-run (Classical model). In the second module, we extend the Classical model to look at the very long run using the Solow Growth model. Our third main topic will tackle the economy in the short run (when prices do not change). We study the Keynesian IS-LM model and show how the market for goods and services interacts with the money market to jointly determine equilibrium output and interest rates. Finally, we take a closer look at some macroeconomic policy debates concerning policymaking and government debt.

Exams and Grading Policy: There will be 3 exams in this class, including a comprehensive final exam, which will comprise 70% of the final grade. Students should expect different types of questions, such as modified true or false, multiple choice, defining terms, mathematical derivations, and essay questions, among others. The exams are designed to test the analytical skills of students on the topics discussed in class rather than their ability to memorize concepts, ideas, and terms. Though the reasoning stays the same, the questions should not be usually taken at face-value from the lectures given. Thus, logical and economic reasoning are powerful tools which will be needed in hurdling the exams. There will be a number of unannounced quizzes during the course of the session which can be distributed at any time during the class. This strategy is targeted to reward students who strive hard to wake up early during the 6-week session from May 22 to June 30 to attend my lectures. True or false and multiple choice questions will be common in the short quizzes. The unannounced quizzes will comprise 20% of the final grade. Finally, homework from end-of-chapter problem sets will be assigned towards the end of the discussion of every chapter to be discussed in the book. One to two of the usual three to five homework problems will be graded for correctness, while the rest will be given credit for being answered. The graded problems will be determined randomly to assure that students will answer each of the homework problems in detail and with rigor.
Grading System:

First and Second Exams  40%
(20% each exam)
Final Exam            30%
Unannounced Quizzes  20%
Homeworks            10%

Introduction

I. The Science of Macroeconomics
   A. What Macroeconomists Study
   B. How Economists Think

II. The Data of Macroeconomics
   A. Measuring the Value of Economic Activity: Gross Domestic Product
   B. Measuring the Cost of Living: The Consumer Price Index
   C. Measuring Joblessness: The Unemployment Rate

Classical Theory: The Economy in the Long Run

III. National Income: Where It Comes From and Where It Goes
   A. What Determines the Total Production of Goods and Services?
   B. How Is National Income Distributed to the Factors of Production?
   C. What Determines the Demand for Goods and Services?
   D. What Brings the Supply and Demand for Goods and Services Into Equilibrium?
   E. Appendix: The Cobb-Douglas Production Function

IV. Money and Inflation
   A. What Is Money?
   B. The Quantity Theory of Money
   C. Seigniorage: The Revenue From Printing Money
   D. Inflation and Interest Rates
   E. The Nominal Interest Rate and the Demand for Money
   F. The Social Costs of Inflation
   G. Hyperinflation
   H. Conclusion: The Classical Dichotomy
V. The Open Economy
   A. The International Flow of Capital and Goods
   B. Saving and Investment in a Small Open Economy
   C. Exchange Rates
   D. Conclusion: The United States as a Large Open Economy
   E. Appendix: The Large Open Economy

VI. Unemployment
   A. Job Loss, Job Finding, and the Natural Rate of Unemployment
   B. Job Search and Frictional Unemployment
   C. Real-Wage Rigidity and Structural Unemployment
   D. Patterns of Unemployment

   Growth Theory: The Economy in the Very Long Run

VII. Economic Growth I
   A. The Accumulation of Capital
   B. The Golden Rule Level of Capital
   C. Population Growth

VIII. Economic Growth II
   A. Technological Progress in the Solow Model
   B. Policies to Promote Growth
   C. From Growth Theory to Growth Empirics
   D. Beyond the Solow Model: Endogenous Growth Theory
   E. Appendix: Accounting for the Sources of Economic Growth

   First Exam: June 7, Wednesday
   Tentative Coverage: Chapters 1-8

   Business Cycle Theory: The Economy in the Short Run

IX. Introduction to Economic Fluctuations
   A. Time Horizons in Macroeconomics
   B. Aggregate Demand
   C. Aggregate Supply
   D. Stabilization Policy

X. Aggregate Demand I
   A. The Goods Market and the IS Curve
   B. The Money Market and the LM Curve
   C. Conclusion: The Short-Run Equilibrium
XI. Aggregate Demand II
A. Explaining Fluctuations With the IS-LM Model
B. IS-LM as a Theory of Aggregate Demand
C. The Great Depression
D. Appendix: The Simple Algebra of the IS-LM Model and the Aggregate Demand Curve

XII. Aggregate Demand in the Open Economy
A. The Mundell-Fleming Model
B. The Small Open Economy Under Floating Exchange Rates
C. The Small Open Economy Under Fixed Exchange Rates
D. Interest-Rate Differentials
E. Should Exchange Rates Be Floating or Fixed?
F. The Mundell-Fleming Model With a Changing Price Level
G. Appendix: A Short-Run Model of the Large Open Economy

XIII. Aggregate Supply
A. Three Models of Aggregate Supply
B. Inflation, Unemployment, and the Phillips Curve

Second Exam: June 21, Wednesday
Tentative Coverage: Chapters 9-13

Macroeconomic Policy Debates

XIV. Stabilization Policy
A. Should Policy Be Active or Passive?
B. Should Policy Be Conducted by Rule or by Discretion?
C. Appendix: Time Inconsistency and the Tradeoff Between Inflation and Unemployment

XV. Government Debt
A. The Size
B. Problems in Measurement
C. The Traditional View
D. The Ricardian View
E. Other Perspectives
More on the Microeconomics Behind Macroeconomics
Discussion of this section will depend on time availability.

XVI. Consumption
   A. John Maynard Keynes and the Consumption Function
   B. Irving Fisher and Intertemporal Choice
   C. Franco Modigliani and the Life-Cycle Hypothesis
   D. Milton Friedman and the Permanent-Income Hypothesis
   E. Robert Hall and the Random-Walk Hypothesis

XVII. Money Supply and Money Demand
   A. Money Supply
   B. Money Demand

Epilogue: What We Know, What We Don’t

Comprehensive Final Exam: June 30, Friday