Economics 311 | Northwestern University | Intermediate Macroeconomics
Mark Witte | Department of Economics | **Spring 2020**

Contact Info: mwitte@northwestern.edu, Office: Kellogg Global Hub 3393
Class meets: MWF Noon-12:50 (I intend to video record all of these.)
Office Hours: After class (1:00-2:00) and at other times by appointment
Materials Readings & notes: https://sites.google.com/site/markwitteeconomics/

Week of April 6 - Introduction & Multiple Equilibrium, Consumption, Investment

Recommended (but not required): Watch HBO's Panic
Intro - Fred Lessons, Blanchflower, Weissmann, Sichel
Models of Equilibria
- 45-degree line, equations, multiplier
- Babysitting Co-op - Babysitting Co-op, Desert Island
- Hare & Stag
  - **TA: Goods market equilibrium (45-degree line)**

Models of Consumption & Saving
- Keynes' Consumption Function
- Friedman's Permanent Income Hypothesis (PIH)
- Modigliani's Life-Cycle Hypothesis (LCH)
  - **TA: Three models of consumption**
- Ramsey's Euler Equation Model of Consumption

Investment
- Investment - Tobin's q and Q
- Investment & Savings: The IS Curve
  - **TA: Investment, Savings, and Interest Rates**

Week of April 13 - Supply Side: Firms, Microeconomics of Perfect/Imperfect Competition, Sources of Long Run Growth

Supply Side: Firms and Imperfect Competition - Micro Handout
- **TA: Model of imperfect competition, monopolistic competition**

LR Growth: Neoclassical Solow Model (Perfect Competition, Constant Returns to Scale)
- Steelman & Weinberg, Gordon, Rosling
- **TA: Solow**

LR Growth: New Growth Theory (Romer & Others, Increasing Returns to Scale) - Klenow

Week of April 20 - Supply Side: Labor Markets

Supply Side: Wage Bargaining, Efficiency Wages - Core sections 9.1-9.6
Labor Markets: Flows, Beveridge Curve, Unemployment - Taylor, Jaimovich & Siu. Auter
- Changing jobs - Gawande

Week of April 27 - Macroeconomic Fluctuations, Inflation

IS-LM (**I**nvestment-**S**avings versus **L**iquidity Preference for **M**oney) - IS-LM - Krugman, Keynes
Taylor Rules & Loss Functions - Policy Rules - Cecchetti
- **TA: Taylor Rule**

Phillips Curve - Phillips Curve - Cecchetti, Inflation

Friday, May 1: Exam 1
Week of May 4 - 3-Equation Model
3 Equation Model: IS, Phillips Curve, Policy Rule 3 Equation Model: Monetary Policy - FDR's First Fireside Chat, Fed Video 1, Fed Video 2 3 Equation Model: Fiscal Policy **TA: 3 Equation Model practice (Several)**
Week of May 11 - Banking & Finance
Leverage - Admati, Capital - Cecchetti **TA: Leverage tricks** Bank Balance Sheets & Leverage Moral Hazard - Cecchetti Bubbles Financial Sector Crises - Jim Cramer rant, Santelli rant, Stress Tests - Cecchetti, Adverse Selection - Cecchetti, Christiano
Week of May 18 - Monetary Policy
Monetary Policy - Surowiecki, POW Camp, Fed Independence - Cecchetti, Lender of Last Resort Forward Guidance - Brave New World MP - Cecchetti, Unconventional MP **TA: Forward Guidance**
Week of May 25 - Government Debt, International Macroeconomics
Government Debt Dynamics - Debt Sustainability - Cecchetti, Time Consistency - Cecchetti, Budget Basics **TA: Debt Dynamics** International Macroeconomics Capital flows Exchange Rates: Big Mac Index - Cecchetti, Mundell-Fleming, China & US Bonds
Friday, May 29: Exam 2

Teaching Assistants:

Jason Premo - JasonPremo2023@u.northwestern.edu
Riccardo Bianchi Vimercati - rbianchiv@u.northwestern.edu
Matias Bayas-Erazo - MatiasBayas-Erazo2022@u.northwestern.edu

The following are questions that many of you will have about the class.

Q: How are office hours going to work?

A: I'll let usual MWF noon-12:50 lecture run on from 1:00-2:00 and take questions there "in the large." If you'd like to talk or Zoom with me at another time, send me an e-mail about what you want to talk about (it can be just stuff in general), what times might work for you, and what the best medium for communication would be (phone, Zoom, semaphore flags, etc.)

Q: How is the teaching going to work?

A: I will pre-record video of some of the material and then repeat it in "class" in Zoom where you will be able to "raise your hands" and ask questions. The TAs will pre-record video of some material as well. We will hold "office hours" on Zoom.

Q: Are you good at running this sort of online class? Will it be a disaster?
A: No. Probably.

Q: How is the grading going to work?
A: The class is going to be graded "Pass" (P) or "Not pass" (N). There will be homework, and an "Exam 1" and an "Exam 2." To pass the class, you will need to score 70% or better on *each* of these three components. All of these will be handled through Canvas.

Q: How does the homework work?
A: We will post questions and you will submit answers through Canvas. The computational problems will be graded by Canvas, and you will get three chances to get them right. You can collaborate with your peers on these and ask us questions through Piazza (anonymously if you wish). Some of the homework will involve you submitting hand drawn graphs or hand written summaries of the lecture contents.

Q: How will the "Exams" work?
A: We will post questions on Canvas, and you will answer them using Lockdown/Respondus (which we will practice before "Exam 1"). The "Exams" will have problems like from the homework, some graph drawing, and some short essays. They will be open book, open notes, open whatever, except you **may not consult with any other person.** On the computational problems, you will only get one shot at putting in the correct answer. We hope that the "Exams" will take about 30 minutes to complete but you will get two hours to do so, and you will be able to choose which two hour span you want during a 24-hour window.

Q: Wait, what?! Will this class be recorded?
A: "This class or portions of this class will be recorded by the instructor for educational purposes. These recordings will be shared only with students enrolled in the course and will be deleted at the end of the Spring Quarter. Your instructor will communicate how you can access the recordings.

Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact AccessibleNU. Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University's Copyright Policy, faculty own the copyright to instructional materials – including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up."

Q: What are the "learning objectives" for this class?
A: This course should give students frameworks and economic reasoning for understanding short and long run macroeconomic phenomena, and the possibilities and limits of macroeconomic policy.

Q: I am not now nor have I ever taken the prerequisites. Am I in trouble in here?
A: Probably; this class uses the tools of Econ 201 Introduction to Macroeconomics and Econ 202 Introduction to Microeconomics, as well as some algebra and differential calculus.

Q: What's the deal with the readings?
A: There are a variety of readings for this class and you can find them linked from my syllabus and webpage for this class. Other relevant readings may be assigned as the quarter goes forward. You will get to watch HBO Vice Report Panic: The Untold Story of the Financial Crisis, about the crisis.

Q: What are the basic work expectations for the class?
A: I hope that you will do about two hours of study for every hour of lecture, and that you will read the material assigned for the lecture before class (and yes, you'll have to catch up on the first lecture assigned reading too).

Q: What is your electronics communication policy?
A: **(1)** I expect you to have your preferred e-mail address entered into Canvas so that I can send messages to the class, and I expect you to check that e-mail on a daily basis. **(2)** Use Canvas's **Piazza** discussion forum (found in Canvas's "Modules") to post questions that would be of general use to your classmates. (Yes: "What does MR stand for?" No: "I got 11 points on the midterm; does that mean I'm going to flunk the class?") **(3)** Watch all the videos we record and get the work done. (The story of how Piazza was created is sadly lovely.)

Q: What about asking questions in class?
A: If I haven't been clear about a definition or abbreviation or something, it is a Kantian imperative that you raise your hand and get me to fix it! Otherwise, I'm just wasting everyone's time. Seriously, if you're puzzled by something, then probably everyone else is as well, so you'd be serving Northwestern's educational mission by getting it cleared up. If you've got a question about something related to what we're doing, but not directly part of the lecture, that's good too, but raise it in office hours or Piazza. Thanks!

Q: Can I expect any leniency if I'm caught cheating or engaging in any unethical behavior?
A: No. I will probably give you a grade of "F" for the class and I will certainly notify the Dean who will be asked to pursue further action. It's not fun for anyone involved. .

Q: In studying for the tests, should I stress studying the notes or the readings?
A: Well, both, but particularly the notes. I'll make sure that I don't inflict any math problems on the exams that I haven't already given you on a homework. Note however, that not everything that is important for the class, or that I cover in lecture or the readings will make it onto the test. Some material is important for you to learn, but does not lend itself to good test questions. I'm also inclined to have you do math on homework to build that level of understanding there, and then use graphs on exam questions so as to minimize the chance of algebra mistakes causing you to miss points on something where you had a good level of understanding.

Q: What are the math requirements for this class?
A: You will need to be able to do really simple calculus, graphing, exponentials, and algebra. I will do some more complicated math for the purposes of exposition but I will not ask you to reproduce it on the exams although you should understand the underlying ideas. As a guide, I will try to preview any math or exposition you might need in a homework.

Q: This syllabus is pretty long; do you think that anyone is still reading?
A: We're about to find out!

Q: What is the First Homework?
A: Your first Canvas Homework is to post an interesting article relating to economics in Piazza (in Canvas). When you post your article, don't send it to the whole class but rather only to me, and be sure to put your name in the header so I know it's from you. To get credit for this, you'll also have to put the article in as the answer to the first homework problem on Canvas. (See...you're getting practice with Piazza *and* the Canvas homework system!)

Q: What do economists read to learn about what's going on in macro?
A: https://marginalrevolution.com/ I check them every morning. Also, this guy is pretty great: https://www.bloomberg.com/opinion/authors/ARbTQlRLRjE/matthew-s-levine

Q: What if I have concerns about accessibility for this class?
A: Any student with a documented disability needing accommodations is requested to speak directly to the AccessibleNU (accessiblenu@northwestern.edu, 847-467-5530) and to me, as early as possible in the quarter (preferably within the first two weeks of class). All discussions will remain confidential.

Q: What is the most important thing?
A: Most important, please be assured that I want students to learn and to receive the good grades they deserve. So please make an appointment with me should you have undue difficulty with your work in the course.