

**University of Kansas**  
**Department of Economics**

**Economics 522**  
**Intermediate Macroeconomics**

**Fall 2009**  
**Professor Keating**

Office: 334 Snow Hall

Phone: 864-2837

Office Hours: Mondays and Wednesdays from 2 to 3:30 (or longer if needed and I am able);

Otherwise I am often available by appointment.

**Required Readings** are from *Macroeconomics* by Charles Jones. Chapters from Jones are indicated by the letter “J” and one or more chapter numbers in the Course Outline. Homework and exams are primarily based on required readings and the material covered in class.

**Supplemental Readings** are also listed in most sections of the Course Outline. These readings often explore advanced topics beyond what we have time to cover in this course. All but one of these readings is downloadable from the Web, and that one should be available at our library. Supplemental readings are NOT usually required reading. But if something from these readings is covered in class, that information might appear on a test. I will be certain to tell you when we cover any of the supplemental readings. (Except for CPI, you may click on the abbreviations to download any of the Supplemental Readings. To read CPI, I believe you would need to find a hard copy of it, e.g. at the library)

I recommend reading *The Wall Street Journal* to supplement economics course work. The WSJ is a useful tool for applying macroeconomic concepts to actual events, evaluating policy debates and providing up-to-date information on macroeconomic performance. Regular reading develops a better understanding of macroeconomics. Although it would take the better part of a day to read the WSJ from start to finish, the articles relevant to macroeconomics will rarely take more than a half hour to read.

**Homework** is regularly assigned. Questions will come from the text or will be my own creation. Your answers will NOT be collected, but I will provide solutions to each homework set. Doing a good job on the homework is essential. You make a costly error if you conclude that doing the homework is unimportant because it counts for no points. A good effort on homework will improve your grade considerably. It is best to work hard on the questions BEFORE you take a look at the solutions that I provide. This strategy is the best way to cultivate a good understanding of macroeconomic concepts and methods, something which is necessary if you want to do very well in this course.

**My Web Page:** <http://www.people.ku.edu/~jkeating/>, has course information such as the syllabus, a link to Blackboard, and information about research, news, etc. that economists and students of economics may find interesting. I will use either my Web page or BlackBoard to distribute important course materials. Blackboard must be used for any items that I am not allowed to make freely available on the Web (e.g. lecture notes that contain graphs from texts, solutions to the textbook questions). I do not post grades on BlackBoard.

**Grading:** Grades are based on two mid-term exams and a final exam. Each exam will be worth 150 points for a total of 450 course points. Class participation may be helpful in the case of borderline course grades.

**Attendance Policy:** I expect you to regularly attend class. I realize that sometimes problems (e.g. health issues) may occur that force you to miss a few classes. I do not plan to take attendance and will initially assume that when you miss a class you had an unavoidable time conflict. **However, if attendance is consistently too low, I will change the grading structure of this class. Specifically, I will start to take attendance or, alternatively, implement unannounced pop quizzes. Whichever one of these I may select would count for 50 points yielding a total of 500 course points.**

Excused exam absences may be given, but only under justifiable circumstances and permission must be obtained prior to the scheduled exam period if possible. If that is not possible, you should contact

me as soon as you are able. Voice mail or e-mail are easy ways to do this. The letter grade for one excused mid-term absence will be the same as your letter grade on the final exam. Unexcused absences earn 0 points. If you know ahead of time you must be absent from an exam, we may be able to arrange for you to take the exam at an earlier time.

Additional examination policies:

- (1) Closed-book tests;
- (2) If you believe there is some error in your grade, but you answered in pencil or anything else that is erasable, then your test will not be eligible for re-grading;
- (3) Calculating devices are not permitted on the test. The mathematical calculations in this class should be easy for anyone with the credentials to get into KU;
- (4) Cheating on tests will be punished to the fullest extent allowable at KU.

**Exam Return Policy:** I will let you keep your exams for nearly the entire semester, but I must have them back by the end of the semester. Make sure you give them back to me before the final exam, and sooner would be better to reduce the chance that you might lose an exam. For every exam that is not returned to me, I will subtract 20 points from your total course points.

## **EXAM SCHEDULE:**

**FIRST MIDTERM: *Wednesday, September 30, in class***

**SECOND MIDTERM: *Wednesday, November 4, in class***

**FINAL: *Thursday December 17, 11 am - 1 pm, in our classroom.***

## **COURSE OUTLINE**

## **TEXT READINGS**

### **1. Macroeconomic Issues, Variables and Measures**

J:1,2

*The Global Financial Crisis: Overview:* pp 1-18, posted on my Web page.

**CW:** “Chain-Weighting: The New Approach to Measuring GDP” by Charles Steindel, *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, 1995.

CPI: Symposium on The Consumer Price Index, *Journal of Economic Perspectives*, Vol. 17, No. 1, Winter 2003 (articles by Charles L. Schultze, Jerry Hausman and Katherine G. Abraham).

**TS:** “Business Cycle Fluctuations in U.S. Macroeconomic Time Series” by James Stock and Mark Watson, Chapter 1 in *Handbook of Macroeconomics*, eds. John Taylor and Michael Woodford. (I’ve provided the NBER Working Paper version of this article).

### **2. An Overview of Long Run Economic Growth**

J:3

### **3. A Model of Production**

J:4

#### 4. Solow's Model of Economic Growth

J:5

SAVE: "What's Behind the Low U.S. Personal Saving Rate?" by Milt Marquis, Federal Reserve Bank of San Francisco *Economic Letter*, 2002-09; March 29, 2002

#### 5. Endogenous Growth and the Role of Ideas

J:6

PROD: "What Drives Productivity Growth?" by Kevin Stiroh, Federal Reserve Bank of New York, *Economic Review*, 2001.

IT: "The Resurgence of Growth in the Late 1990s: Is Information Technology the Story?" by Stephen Oliner and Daniel E. Sichel, *Journal of Economic Perspectives*, Vol. 14, No. 4, Fall 2000.

#### 6. The Labor Market, Wages, and Unemployment

J:7

SIEB: Siebert, H., 1997. "Labor Market Rigidities: At the Root of Unemployment in Europe." *Journal of Economic Perspectives*, Vol. 11, Number 3.

NICK: Nickell, S., 1997. "Unemployment and Labor Market Rigidities: Europe versus North America." *Journal of Economic Perspectives*, Vol. 11, Number 3.

#### 7. Inflation: Causes and Long-Run Consequences

J:8

MFACTS: "Some Monetary Facts" by George T. McCandless Jr. and Warren Weber, Federal Reserve Bank of Minneapolis, *Quarterly Review*, Summer 1995.

#### 8. An Overview of the Short Run

J:9

#### 9. The IS Curve

J:10

#### 10. Monetary Policy and the Phillips Curve

J:11

LM: "Keynesian Macroeconomics without the LM Curve" by David Romer, *Journal of Economic Perspectives*, Vol. 14, No. 2, Spring 2000, 149-169.

CHAP2: Chapter 2, "The Rationale for Inflation Targeting", in *Inflation Targeting*, Ben S. Bernanke, Thomas Laubach, Frederic S. Mishkin & Adam Posen, 2001.

MILT: "Milton Friedman, Teacher, 1912-2006" Charles T. Carlstrom & Timothy S. Fuerst, Federal Reserve Bank of Cleveland, 2006.

## 11. Stabilization Policy and the AS/AD Model

J:12

**FRBUS**: “A Guide to FRB/US: A Macroeconomic Model of the United States” Federal Reserve Board of Governors.

**LESSVOL**: Bharat Trehan “Why Has Output Become Less Volatile?” *Federal Reserve Bank of San Francisco, Economic Letter*, 2005

## 12. Financial Crisis, the Policy Response and Macroeconomic Outcomes

*The Global Financial Crisis: Overview*: pp 18-24, posted on my Web page.

*The Global Financial Crisis and the Short-Run Model*, posted on my Web page.

Ball, Laurence, *Money and Banking*, 2008, Worth:  
Chapter 3: “Asset Prices and Interest Rates”  
Chapter 18: “Financial Crises”  
(These two chapters are also posted on BlackBoard)

## 13. More about Fiscal Policy and the Macroeconomy

J:13

**DEF**: Lawrence Ball and N. Gregory Mankiw, “What Do Budget Deficits Do?” in *Budget Deficits and Debt: Issues and Options*, Federal Reserve Bank of Kansas City, 1995.

## 14. Issues in International Trade and Finance

J:14,15

**GREEN**: “Remarks by Chairman Alan Greenspan on the Current Account”

**MANN**: Catherine L. Mann, “Perspectives on the U.S. Current Account Deficit and Sustainability,” *Journal of Economic Perspectives*, Summer 2002.

## 15. What We Know and What We’d Like to Learn

J:16