Readings: Overall, my preferred textbook is *Macroeconomics* by Olivier Blanchard published by Prentice Hall [denoted by B and chapter numbers in Readings, and I use “Apn” and a letter or number to reference an appendix in this and other books]. Readings are also drawn from the text written by Stephen Williamson [W] that is published by Addison Wesley. Williamson happens to share the same title, *Macroeconomics*. But in a number of ways these books are very different. For example, Blanchard is strictly Keynesian whereas Williamson is predominantly Classical. Furthermore, Blanchard studies a wider range of topics while Williamson investigates the micro foundations of macroeconomics in greater detail and at a more technical level (particularly in the appendices).

The only problem with these two texts is the depth of coverage on economic growth. Therefore I have also assigned readings from *Introduction to Economic Growth* by Charles Jones [G] published by Norton. This text provides an excellent introduction to growth theory and international empirical evidence on growth. David Weil’s book on Economic Growth is also outstanding on the empirics.

Readings from David Romer’s notes titled “Short-Run Fluctuations” are assigned as well. These notes provide a simple version of a new way of modeling the macroeconomy that I believe is a significant improvement over traditional textbook analysis. Romer’s notes can be found in 2 files: Text and Figures.

I highly recommend reading the *Wall Street Journal* on a regular basis. In my view, the WSJ is the best daily source of current information on economic matters of all kinds. Its coverage of macro stories gives you an opportunity to see how theories actually play out in the real world. I anticipate some test questions will be motivated by current macroeconomic events. However, reading the WSJ is optional, not a course requirement. The *Economist* magazine and the *New York Times* are also good sources of current macroeconomic information.

Below I have listed some additional readings. Some are from chapters in other books. For example, additional readings are from the 3rd edition of *Advanced Macroeconomics* by David Romer [A] published by McGraw Hill in 2001; the 2nd edition of *Macroeconomic Theory* by Thomas J. Sargent [S] published by Academic Press in 1987, and *Monetary Economics: Theory and Policy* by Ben McCallum published by MacMillan in 1989. Most of the other listed additional readings are journal articles that are easily downloaded by going to the syllabus on my Web page and clicking on the relevant document(s). I will make clear if an additional reading is required.

Homework is regularly assigned. These questions are based primarily on material from the readings and class. Your answers are not collected. I will provide solutions to the homework questions. **It is very important to put in a good effort on homework BEFORE you see the solutions!** Exam questions will be related to these homework questions, although rarely, if ever, will they be the same.

My Web Page: [http://www.people.ku.edu/~jkeating/](http://www.people.ku.edu/~jkeating/). It has a copy of this Syllabus, a link to BlackBoard, and information that economists and students of economics may find interesting. I will generally use my Web page to distribute important course materials (e.g. homework assignments, solutions, etc.). However, if there is something that I don’t wish to make public or am not allowed to make public, I will use BlackBoard (by the way, I do not post grades on BlackBoard).
EXAM SCHEDULE:  FIRST MIDTERM: Thursday, February 28, in class
SECOND MIDTERM: Thursday, April 10, in class
FINAL: May 12-16 ??? Technological difficulties prevent me from
knowing right now, but I’ll let you know.

Grading: Each test is worth 150 course points.
Exam Policies: Excused exam absences are given only under justifiable circumstances and
permission must be obtained from me prior to the scheduled exam period, if that is at all possible. Under
most circumstances, you should at least be able to call my office and leave a message on my voice-mail
saying why you are unable to take the test at the scheduled time. 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.

Examination rules:
(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, your test will not be eligible for re-grading;
(3) Calculators and other electronic tools not permitted during tests; and
(4) Cheating on tests will be punished to the fullest extent allowable at KU.

COURSE OUTLINE

<table>
<thead>
<tr>
<th>TOPICS</th>
<th>TEXT READINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>---------------------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>1. INTRODUCTION TO MACROECONOMICS:</td>
<td>B:1,2,14-1, Apn:1,2;</td>
</tr>
<tr>
<td></td>
<td>W:1,2</td>
</tr>
<tr>
<td>Chapter 1: Macroeconomics Lecture Notes for a Masters Course, Gregor Smith, unpublished, 2000</td>
<td></td>
</tr>
<tr>
<td>2. ECONOMIC GROWTH:</td>
<td>G:1,2,3,9, Apn:A</td>
</tr>
<tr>
<td></td>
<td>B:10,11,12</td>
</tr>
<tr>
<td>Economic Growth, David N. Weil, Addison-Wesley, 2005</td>
<td></td>
</tr>
<tr>
<td>Oliner, Steven &amp; Daniel Sichel “Resurgence of Growth in the Late 1990s: Is IT the Story?”, Journal of Economic Perspectives, 2000</td>
<td></td>
</tr>
</tbody>
</table>
3. GOODS MARKETS:


Hubbard, R. Glenn, “Capital Market Imperfections and Investment” *Journal of Economic Literature*, Vol. 36, no. 1, March 1998, (also available as NBER WP # 5996)

Bernanke, Ben & Alan Blinder *Credit, Money and Aggregate Demand* *American Economic Review*, 1988

4. MONEY & FINANCIAL MARKETS:


5. IS-LM MODEL & REPLACING LM WITH THE MP CURVE:

Romer, David “Short-Run Fluctuations” Chapter 1

Romer, David *Keynesian Macroeconomics without the LM Curve*, *Journal of Economic Perspectives*, 2000


Laubach, Thomas, and Williams, John C. *Measuring the Natural Rate of Interest* *The Review of Economics and Statistics*, 2003

6. LABOR MARKETS:

Blanchflower, David & Andrew Oswald *An Introduction to the Wage Curve* *Journal of Economic Perspectives*, 1995


7. THE AGGREGATE SUPPLY & AGGREGATE DEMAND MODEL:  B:7 W:12 A:5.3,10.3

Romer, David “Short-Run Fluctuations” Chapter 3

8. THE PHILLIPS CURVE:                    B:8, Apn:3   A:5.4


9. INFLATION & ECONOMIC ACTIVITY:          B:9,14-4,25-2 A:10.2
                                               W:16

10. MARKET CLEARING MODELS OF BUSINESS CYCLES:   W:11

11. FACTS ABOUT BUSINESS CYCLES:                W:3


Stock, James & Mark Watson “Has the Business Cycle Changed? Evidence and Implications” in Monetary Policy and Uncertainty, Kansas City Federal Reserve Bank’s 2003 Symposium


12. TECHNOLOGICAL PROGRESS, WAGES & UNEMPLOYMENT:  B:13

13. EXPECTATIONS & ECONOMIC ADJUSTMENTS:          B:17

Chapter 8: Monetary Economics: Theory and Policy, Ben McCallum, 1989

Chapter 3: Macroeconomics Lecture Notes for a Masters Course, Gregor Smith, 2000


14. HIGH UNEMPLOYMENT & HIGH INFLATION:               B:22,23   A:10.9


Reinhart, Carmen M. & Miguel A. Savastan “The Realities of Modern Hyperinflation” Finance &
Kuttner, Ken & Adam Posen “The Great Recession: Lessons for Macroeconomic Policy from Japan”  

15. A DEEPER LOOK AT MONETARY & FISCAL POLICY:  
B:24,25,26


Bernanke, Ben & Gertler, Mark "Monetary Policy and Asset Price Volatility," in *New Challenges for Monetary Policy*, Kansas City Federal Reserve Bank’s 1999 Symposium


16. OPEN ECONOMY MACROECONOMICS:  
B:18,19,20,21 A:5.3 W:13,14

Romer, David “Short-Run Fluctuations” Chapter 2


Obstfeld, Maurice & Kenneth Rogoff “The Unsustainable US Current Account Position Revisited”  
NBER Working Paper, 2004