The Robert Day School
Claremont McKenna College

Economics 196 – Advanced Macroeconomics
Spring 2017 Syllabus

Professor Cameron A. Shelton
Bauer North 320
Office Hours: W 9:00am – 12:00pm, or by appointment

Telephone: x71692
Email: cshelton@cmc.edu

Course Lecture Time Final Exam
Econ 196, Sec 1 T/R 9:35pm-10:50pm R, Dec. 14th, 2-5pm

Textbook and Required Readings
Various Academic Journal Articles (posted on Sakai)

I have taken care to limit the reading in hopes that this will encourage students to read carefully and consistently. The schedule below lists readings for each lecture (*Romer X.y* refers to chapter \( X \), section \( y \).) I recommend reading the textbook sections *after* the lecture with which they are listed. In this way, the lecture will provide a guided intro to the terms and methods of the topic at hand and the textbook will serve to both solidify and expand on the lessons from lecture.

Course Description
Intermediate Macroeconomic Analysis (Econ 102) developed students’ ability to read and understand macroeconomic journalism and current events. This course will enable students to engage with macroeconomic research. We will learn the analytic tools of modern macroeconomics, including the workhorse models used to understand economic growth, business cycles, unemployment, consumption and investment spending, and monetary and fiscal policy. The main difference is that these macroeconomic models are built on explicit models of the behavior of firms and households (micro-foundations) rather than ad-hoc reasoning about aggregates. We will also review empirical evidence on many of these models and discuss major debates in the field.

Prerequisites
Econ 101, 102, 125

Learning Objectives
The goals of this course are to enable students to critically read and understand modern macroeconomic research, to assess macroeconomic research, and to communicate these assessments to others both verbally and in writing.
These goals first and foremost require familiarity with common modeling techniques, the historical debates in macroeconomics, and relevant empirical evidence. Problem sets will afford students the opportunity to practice the relevant analytic skills developed in lecture including mathematical analysis, empirical analysis, and the logical application of such techniques to reasoning about particular questions. Students will have several opportunities to read important research in the field. There will be six roundtables during which we discuss half-a-dozen articles of which students will prepare a summary. Second, students will write a term paper. Because the field of macroeconomics is broad and the techniques are complex, we do not have time to delve deeply into subfields and particular questions in this one semester course. The paper is an opportunity to delve more deeply into a particular literature; it is the vehicle by which students will apply the general skills learned in the course to a topic of particular interest. I will provide examples of suitable topics and papers from each section of the course.

**Grading Criteria:**

- 6 Problem Sets (may be completed in pairs): 30%
- 1 In-class Final: 20%
- Participation in roundtable discussions: 10%
- Written Roundtable Summaries (Best 5 of 6): 20%
- Lit Review: 20%

**Policies**

**Problem Sets**
Problem sets will be posted on the course website hosted on Sakai. The due dates are noted on your syllabus and will be repeated on the assignment sheet. Problem sets are to be turned in either in hard copy to the folder on my office door or in electronic copy to your dropbox on Sakai. Please do not email them to me directly. Problem sets will variously contain analytic questions drawn from your textbook, data questions of my design, and short answer questions. All three types of analysis—analytical, empirical, and verbal—are an important part of your work. I reserve the right to adjust due dates to accommodate scheduling adjustments. I will always give you at least one week between the posting of an assignment and its due date.

Problem sets are due Thursdays at 11:59pm. I have office hours Wednesday morning. I try to make sure there is a week between the coverage of material in class and the due date of the problem set pertaining to that material. So try to start a few days before the deadline so you can bring your questions to office hours.

**Collaboration**
Students may collaborate with, at most, one other student on problem sets. In this case, one problem set may be handed in with both students’ names written on the finished problem set. Both students will receive the same grade. **Warning:** be sure you each understand the entirety of the material as you will be responsible for it on the final exam.

**Legibility**
Grading papers and exams is repetitive at best and can be a frustrating task when papers are messy. Be kind to me by making your assignments legible. Problem sets need not be typed but points may be lost due to illegible handwriting, poorly organized answer sheets, or other obstacles to grading. I always try to search for the hidden glow of understanding and award as many points as possible, but please do not lead me on a treasure hunt across your assignment in search of your
train of thought. If your initial write-up is messy, recopy to a clean sheet. Such reiteration will not only please me but also further your understanding through repetition and help you to catch mistakes.

**Grading Guidelines**
Guidelines for the oral paper summaries and the term paper are available on Sakai in separate documents, *Roundtable Primer* and *Term Paper Guidelines*. I have also included an example of a strong roundtable paper along with my comments on what is done well.

**Exams**
There is no midterm exam. The final exam will be in class at the registrar scheduled time. The exam will consist of a few analytical problems and a few short answer questions, much like a problem set. Unlike a problem set, the final must be completed individually.

**Availability**
Email: I am generally available during normal business hours and try to respond promptly to email requests. However, I cannot always respond immediately, even during the day. Moreover, I am not on call at all hours so I suggest you do not rely completely on receiving a swift response to your urgent midnight query. Plan ahead.

Office Hours: I pledge to be in my office and available to answer your questions during these times. On the rare occasion that I must cancel, I will notify the class via email. If these times are consistently difficult for you to make, we will find another time to meet.

**Disability**
If you have any problems with the terms of this syllabus due to a documented disability please let me know within the first two weeks of class. Note if you require alternative arrangements for the exams I must be contacted, at your instigation, by the Dean of Students Office but it is your responsibility to coordinate with me about the time and place of your exam at least 2 weeks prior to the exam.

**Extra Credit**
There is no extra credit in this course.

**Academic Dishonesty**
Please be aware that any incidence of academic dishonesty (plagiarism, cheating, etc.) will be taken **extremely** seriously. All cases will be reported to the Academic Standards Committee immediately. When in doubt as to whether a certain behavior is acceptable, *ask me first*. 
Course Outline and Assignment Schedule

I. Long-Run Economic Growth

Reading: Romer 1.1, 2.0, 2.1

[2] R 8/31 Mathematical Techniques and Ramsey Model Solution
Reading: Romer 2.2, 2.3, 2.5

Reading: Romer 2.6, 2.7

[4] R 9/7 Levels Accounting and Proximate Determinants

Romer 4.2, 4.3

Problem Set 1 due: Thursday September 7th, 11:59pm.

Readings:

Growth I Readings Synthesis due: in class Tuesday September 12th
Complex Causal Structures and Deep Determinants


Romer 4.4, 4.5

Problem Set 2 due: Thursday September 14th, 11:59pm.

Unified Growth Theory


Read thoroughly: sections 1, 3 – 4.1.1 (pages 1-3, 41 - 57).
Skim: section 2 (pages 4-40).

Roundtable on Economic Growth II: institutions vs. human capital


Growth II Readings Synthesis due: in class Thursday September 21st

II. Business Cycles

Measuring Business Cycles: Filtering, Correlations, and Real-Time Data

Romer 5.1

No Class – Professor Out of Town
[10] T 10/3 Basic RBC Model: rationale and setup
Reading: Romer 5.2 - 5.4


Reading: Romer 5.5 – 5.7

Problem Set 3 due: Thursday October 5th, 11:59pm

[12] T 10/10 Basic RBC Model: calibration
Reading: Romer 5.8

[13] R 10/12 Introduction to Vector Autoregression (VAR)

[14] R 10/19 Price Rigidities and Market Imperfections
Reading: Romer 5.10, 6.1, 6.2


Problem Set 4 due: Thursday October 19th, 11:59pm

[15] T 10/24 Microfoundations of Incomplete Nominal Adjustment
Reading: Romer 6.6 – 6.7

[16] R 10/26 Roundtable on Price Rigidity
Readings:

Price Rigidity Readings Synthesis due: in class Thursday October 26th
[*] F 10/27 California Macroeconomics Conference at Claremont McKenna College

[17] T 10/31 Roundtable on New Keynesian DSGE Models
Readings: Guiding questions available on Sakai

NK DSGE Readings Synthesis due: in class Tuesday October 31st

III. Unemployment

[18] R 11/2 Shapiro-Stiglitz Efficiency-Wage Theory setup and methods
Reading: Romer 10.1, 10.4

[19] T 11/7 Shapiro-Stiglitz Efficiency-Wage Theory solution and analysis

[20] R 11/9 Testing Theories of Unemployment
Reading: Romer 10.8

Reading: Romer 10.6

[22] R 11/16 Mortensen-Pissarides Search and Matching Model solution
Reading: Romer 10.7

Problem Set 5 due: Thursday November 16th, 11:59pm

[23] T 11/21 Roundtable on Unemployment
Readings:
Unemployment Readings Synthesis due: in class Tuesday November 21st

[--] R 11/23 No Class: Thanksgiving Break

IV. Consumption

Reading: Romer 8.0, 8.1, 8.2

[25] R 11/30 Extending the PIH: Risk, Precautionary Saving, and Liquidity Constraints
Reading: Romer 8.5, 8.6

Problem Set 6 due: Thursday November 30th, 11:59pm

[26] T 12/5 Roundtable on Consumption Behavior
Readings:


Consumption Readings Synthesis due: in class Tuesday December 5th

[27] R 12/7 Spillover/Final Review

Comprehensive Assignments

[*] Final Exam
In class at the registrar scheduled time: Thursday, December 14th, 2-5pm.

[*] Final Paper on the Effects of Fiscal Stimulus
due: Friday December 15th, 5pm.

The final paper is a longer version of the roundtable: a lit review on a particular topic. Our topic is the size of the fiscal multiplier. I have supplied you with a core of ten papers to read. Based on your reading of these ten papers, you will then do a targeted search to
find three to six more that explore some aspect of interest to you. You will write an 8-12 page\(^1\) paper summarizing these papers in the style of the roundtable assignments. The additional papers you read about fiscal policy effectiveness should be recent—published since 2008. There are several prominent papers just in the last few years. You should include a paragraph after your bibliography making note of why you chose these additional papers—how they helped you flesh out or explore some aspect of the literature. I advocate papers that are published in a top journal\(^2\) or have lots of citations on google scholar. The best way of finding subject-specific papers is to use google scholar to do a forward-search from the papers I have assigned.

Questions you should probably address include:

- What are the empirical difficulties facing all authors in this field?
- What are the solutions employed?
- What is the range of results?
- How do you reconcile differing results?
- What questions seem settled?
- What questions, either newly arisen or pre-existing, remain?

Mandatory Readings:


\(^1\) You are to use 12 point Times New Roman font, 1.5 spaced, 1” margins all around. The reference section and the additional paragraph regarding your idiosyncratic sources do not count toward this page range.


**Summary of Due Dates:**

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<tr>
<th>Day</th>
<th>Date</th>
<th>Assignment</th>
<th>Time</th>
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<tbody>
<tr>
<td>Thursday</td>
<td>9/7</td>
<td>Problem Set 1</td>
<td>11:59pm</td>
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<tr>
<td>Tuesday</td>
<td>9/12</td>
<td>Growth I Roundtable Synthesis</td>
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<td>Thursday</td>
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<td>Thursday</td>
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<td>Price Rigidity Roundtable Synthesis</td>
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<td>Tuesday</td>
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<td>NK DSGE Roundtable Synthesis</td>
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<td>Tuesday</td>
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<td>Thursday</td>
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<td>Tuesday</td>
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<td>Thursday</td>
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<td>Lit Review</td>
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