Master of Professional Studies in
APPLIED ECONOMICS

Econ 642: Topics in Applied Macroeconomics
Course Information and Syllabus
Winter 2017

Professor Lauren Bresnahan
E-mail: lbresnah@umd.edu
Office Hours: By appointment

Lecture: Tuesdays, 6:45-9:30 p.m.
Location: 1400 16th Street, Washington D.C.

Teaching Assistant: TBA
E-mail: MastersTA@econ.umd.edu
Office Hours: Announced on ELMS site at the beginning of the term and weekly reminders via email

Course Objectives

In this class we will develop models to explain the performance and structure of the economy as a whole in both the long and short run. These models will provide a set of tools to understand the determinants of gross domestic product, inflation and unemployment and the effects of monetary and fiscal policies on these variables. By the end of the course you should be able to analyze the economic effects of government policies and identify and interpret key leading and lagging economic indicators.

Required Text and Supplemental Materials

The main focus will be on the readings and lecture materials. The only required text for class is N. Gregory Mankiw, Macroeconomics, 8th edition, Worth Publishing.

Supplemental materials for those interested in pursuing a PhD include David Romer's Advanced Macroeconomics, 4th edition, McGraw-Hill Irwin and listed journal articles. Note the supplemental readings are beyond the scope of this class.

Course Requirements

The course grade will be averaged together with the following weights:

Midterm	35	Percent
Final	40	Percent
Presentations	15	Percent
Problem Sets	5	Percent
Online Discussion	5	Percent

The midterm will be 90 minutes long. The final exam will be 2 hours long held the last class session and will be comprehensive.

Students are responsible for two presentations and corresponding reports. The first presentation relates to economic indicators released the week of the presentation and is worth 5 percent of the total grade. The second presentation will require students to identify current economic issues, outline the debate and relate it to theory learned in class. The second presentation and report is worth 10 percent of the total grade. Details regarding presentations and reports are on the ELMS site.

There will be four problem sets due at the beginning of class. You may work together on the problem sets, but please write and submit your answers separately. Students are highly encouraged to meet with the TA to discuss any questions regarding problem sets, noting the exams strongly relate to the problem sets.

We will also hold a weekly online discussion under the "Discussion" tab on the class ELMS site. Discussions will generally occur on Thursday or Friday and stay open for 24 to 48 hours. Details regarding discussions are on the ELMS site.

Late Penalty

All homework, assignments and discussions are subject to late penalties. The penalties are as follows: 20% for first day, 25% for second day, 30% for third day, 35% for fourth day, 40% for fifth day, 45% for sixth day, 50% for seventh day and so on. Late penalties apply except when prior approval is obtained.

Presentation Assignment Penalty

All students are required to sign up for their presentation date within the two days of the first day of class. Failure to do so will result in a 5 % penalty to the associated assignment. Early sign up is required to keep the class moving smoothly throughout the quarter.

All students are required to submit each assignment topic to the professor for approval. Topic approval can be done any time before the presentation date. Failure to do so will result in a 15% penalty to the associated assignment.

Final Course Grades

Final letter grades are based on the weighted score and performance relative to the class. I generally do not grade on the curve unless the exam averages are very low for the whole class. Numerical course grades will be translated into letter grades as follows:

Percent	Letter Grades
90-100	A
85-89	A-
80-84	B+
70-79	B
60-69	B-
50-59	C+
40-49	C
30-39	C-
20-29	D+
10-19	D
0-9	F

Exam and Problem Set Dates

Exam and problem sets dates are below. Students are also responsible for presentations and corresponding papers on selected dates identified on ELMS site.

Date	Problem Sets/Exam Due Dates
Tuesday, November 29, 2016	-
Tuesday, December 6, 2016	-
Tuesday, December 13, 2016	Homework 1
Tuesday, December 20, 2016	-
Tuesday, December 27, 2016	-
Tuesday, January 3, 2017	Homework 2
Tuesday, January 10, 2017	-
Tuesday, January 17, 2017	Midterm
Tuesday, January 24, 2017	-
Tuesday, January 31, 2017	Homework 3
Tuesday, February 7, 2017	-
Tuesday, February 14, 2017	Homework 4
Tuesday, February 21, 2017	Final

Course Overview and Schedule

This schedule is subject to revisions.

November 29: Introduction, Data and Methodology and Simple Long-Run Models
Reading:
Required: Mankiw, Chapters 1-3
Supplemental:

- Romer, Introduction
- Landfeld, J. Steven, Eugene P. Seskin and Barbara M. Fraumeni (2008), "Taking the Pulse of the Economy: Measuring GDP," Journal of Economic Perspectives, 22(2), pp. 193-216.
- Stiglitz, Joseph E. (2009), "GDP Fetishism," The Economist's Voice, 6(8).

December 6: Money, Prices and Inflation in the Long Run
Reading:
Required: Mankiw, Chapters 4-5
Supplemental:

- Romer, Chapter 11, Sections 1, 2, and 9
- Friedman, Milton and Anna J. Schwartz (1963), "A Monetary History of the United States," Princeton University Press
- Sargent, Thomas J. and Neil Wallace (1973), "The Stability of Models of Money and Growth with Perfect Foresight," Econometrica, 41(6), pp. 1043-1048

December 13: Small Open Economy
Reading:
Required: Mankiw, Chapter 6
Supplemental:

- Romer, Chapter 10
- Feldstein, Martin, and Charles Horioka (1980), "Domestic Saving and International Capital Flows," Economic Journal, 90(2), pp. 314-329
- Diamond, Peter A. (1982), "Aggregate Demand Management in Search Equilibrium." Journal of Political Economy, 1982(5), pp. 881-894

December 20: Small Open Economy (Continued)
Reading:
Required: Mankiw, Chapter 6
Supplemental:

- Romer, Chapter 10
- Feldstein, Martin, and Charles Horioka (1980), "Domestic Saving and International Capital Flows," Economic Journal, 90(2), pp. 314-329
- Diamond, Peter A. (1982), "Aggregate Demand Management in Search Equilibrium." Journal of Political Economy, 1982(5), pp. 881-894

December 27: No Class

January 3: Unemployment in the Long Run
Reading:
Required: Mankiw, Chapter 7
Supplemental:

- Romer, Chapter 10
- Yellen, Janet L. (1984), "Efficiency-Wage Models of Unemployment," American Economic Review, 74(May), pp. 200-205
- Solow, Robert M. (1989), "Another Possible Source of Wage Stickiness," Journal of Macroeconomics, 1(Winter), pp. 79-82
- Shapiro, Carl, and Joseph Stiglitz (1984), "Equilibrium Unemployment as a Worker Discipline Device," American Economic Review, 74 (June)
- Ball, Laurence and N. Gregory Mankiw (2002), "The NAIRU in Theory and Practice," Journal of Economic Perspectives, 16(4), pp. 115-136
- Fischer, Stanley and Franco Modigliani (1978), "Towards an Understanding of the Real Effects and Costs of Inflation," Review of World Economics (Weltwirtschaftliches Archiv), 114(4), pp. 810-833

January 10: Models of the Short Run
Reading:
Required: Mankiw, Chapter 10
Supplemental:

- Romer, Chapter 6, Part A
- Keynes, "The General Theory of Employment, Interest, and Money."

January 17: Midterm Exam

January 24: Models of the Short Run
Reading:
Required: Mankiw, Chapter 11
Supplemental:

- See previous

January 31: *Guest Lecturer* and Models of the Short Run
Reading:
Required: Mankiw, Chapter 12
Supplemental:

- See previous

February 7: Models of the Short Run and Dynamic Short-Run Models
Reading:
Required: Mankiw, Chapters 13-14
Supplemental:

- Romer: Chapter 6, Part B, and Chapter 7

- Mankiw, N. Gregory (1985), "Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly," Quarterly Journal of Economics, 100(2), pp. 529-538.
- Fischer, Stanley (1977), "Long-Term Contracts, Rational Expectations, and the Optimal Money Supply Rule," Journal of Political Economy, 85(1), pp. 191-205
- Taylor, John B. (1979), "Staggered Wage Setting in a Macro Model," American Economic Review, 69(May), pp. 108-113
- Blanchard, Olivier J. (2008), "The State of Macro," NBER Working Paper No. 14259.

February 14: Models of the Short Run and Dynamic Short-Run Models (Continued)
Reading:
Required: Mankiw, Chapters 13-14
Supplemental:

- Romer: Chapter 6, Part B, and Chapter 7
- Mankiw, N. Gregory (1985), "Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly," Quarterly Journal of Economics, 100(2), pp. 529-538.
- Fischer, Stanley (1977), "Long-Term Contracts, Rational Expectations, and the Optimal Money Supply Rule," Journal of Political Economy, 85(1), pp. 191-205
- Taylor, John B. (1979), "Staggered Wage Setting in a Macro Model," American Economic Review, 69(May), pp. 108-113
- Blanchard, Olivier J. (2008), "The State of Macro," NBER Working Paper No. 14259.

February 21: Final Exam

Additional Readings if Desired or Class Moves Fast

Consumption and Intertemporal Choice
Reading:
Mankiw, Chapters 16
Supplemental:

- Romer, Chapter 8
- Hall, Robert E. (1978), "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence," Journal of Political Economy, 96(6), pp. 971-987

Money, Banking, and Financial Markets
Reading:
Mankiw, Chapters 17, 20
Supplemental:

- Chapter 9, Epilogue
- Diamond, Douglas W. and Philip H. Dybvig (1983), "Bank Runs, Deposit Insurance, and Liquidity," Journal of Political Economy, 91(3), pp. 401-419
- Bernanke, Ben S. and Alan S. Blinder (1988), "Credit, Money, and Aggregate Demand," American Economic Review, 78(May), pp. 435-439
- Bernanke, Ben S. and Mark Gertler (1995), "Inside the Black Box: The Credit Channel of Monetary Policy Transmission," The Journal of Economic Perspectives, 9(4), pp. 27-48
- Reinhart, Carmen M. and Kenneth Rogoff (2009), "This Time is Different," Princeton University Press

Monetary and Fiscal Policy
Reading:
Mankiw, Chapters 18-19
Supplemental:

- Romer: Chapter 11, Sections 3 and 7, Chapter 12, Section 1
- Bernanke, Ben S., Thomas Laubach, Frederic S. Mishkin, and Adam S. Posen (1999), "Inflation Targeting: Lessons from the International Experience, Princeton," NJ: Princeton University Press.
- Kydland, Finn, and Edward Prescott (1977), "Rules Rather than Discretion: The Inconsistency of Optimal Plans," Journal of Political Economy, 85(3), pp. 473-490
- Romer, Christina D. and David H. Romer (2010). "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks," American Economic Review, 100(3), pp. 763-801

Economic Growth
Reading:
Mankiw, Chapters 8-9
Supplemental:

- Romer, Chapters 1, 3-4
- Weil, David N. (2008), "Economic Growth," 2nd edition, Addison Wesley

Standard Policies for the Program and the University of Maryland

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland "directory ID" and password.

Email: Email is the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via http://www.testudo.umd.edu/apps/saddr/ AND for paying attention to messages I send to the class via ELMS. Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines. I will do my best to respond to email within 36 hours.

Contact Hours: Three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly 3-hour meetings only satisfy 80% of the university's contact requirement. The other 20% is usually satisfied by mandatory and graded online contact. Instructors have some discretion in how they structure the online component of their course. In principle, the contact hours requirement could also be satisfied by scheduling 3 additional 3-hour meetings per term, or one additional 45-minute meeting per week. The online components of our courses are a more flexible way to ensure that our program's courses provide the same level of student-instructor contact as a traditional 15-week, face-to-face, 3-credit course at the University of Maryland.

Work Load: Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time. The courses in our program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course. The compressed schedule makes it possible to complete our degree in just 15 months if you take 2 courses each term. But the compressed schedule also implies an accelerated pace. If we're going to cover all the same material as a traditional semester-long 3-credit masters-level course, we need to cover the material quickly.

Academic Integrity: The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate and graduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu.

Student Conduct: Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.

Medical Excuses: If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor's – to get yourself caught up in the course.

If you need to miss an exam or other course deadline because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course

will be an “Incomplete”. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

School Closings and Delays: Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669). Since our program is an evening program in downtown Washington, DC, rather than a day program in College Park, we do not always cancel classes on the same days as the College Park campus. The program director will always announce cancellation information to the program as an announcement on the program’s ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue.

Students with Disabilities: The University of Maryland does not discriminate based on differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, and national origin. Reasonable accommodations will be made to students with documented disabilities. I will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form.

Academic Progress: The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program’s director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student’s GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree.

Building Access: The door to the building at 1400 16th Street is unlocked on weekdays until 7:00 p.m. Students who arrive after 7:00 p.m. or on weekends will find the door locked. The building’s security guard is stationed at a desk just inside the door until 11:00 p.m. and will let you in. You can also call the phone on the security guard’s desk by dialing (202) 328-5158. If the security guard happens to be away from his or her desk when you arrive, you can pick up the black phone to the right of the door at 1400 16th Street. You will be connected to the company that handles security for our building. If you tell them you are with the University of Maryland, they should ask you for a password. The password is “Drawbridge”. When you tell them the password, they will be able to unlock the door for you.