

14.02 PRINCIPLES OF MACROECONOMICS

Course Syllabus for Spring 1999

Roger Brinner

DESCRIPTION:

This course will provide an overview of macroeconomic issues including the determination of output, employment, unemployment, interest rates, and inflation. Monetary and fiscal policies are discussed, as are the public debt and international economic issues. The course introduces basic models of macroeconomics and illustrates principles with the experience of the United States and other countries.

FACULTY:

Lecturer: Professor Roger Brinner rogerb@parthenon.com

HEAD TEACHING ASSISTANT:

Adam B. Ashcraft ashcraft@mit.edu

TEACHING ASSISTANTS:

Fernando Aportela aportela@mit.edu
Martin Gonzales-Eiras mge@mit.edu
John Irons irons@mit.edu
Alejandro Neut aneut@mit.edu

TWO ALTERNATIVE FORMATS:

The course has two alternative formats, both of which cover the same topics, use the same textbook, and have the same required assignments, including exams and problem sets. As we receive more information on class enrollment, there may be changes in the number of sections and recitations.

1. **Lecture-Recitation:** You attend one-hour lectures on Mondays and Wednesdays, given by Roger Brinner at 9 a.m. in 56-114. In addition, you attend one of three one-hour recitations on Fridays run by John Irons. During Friday recitations, which are NOT optional, instructors will go over weekly problem sets, review materials from the lectures and, at times, introduce new material. A schedule of recitations is displayed below.
 - a. Fri 9 a.m. 13-3101 John Irons
 - b. Fri 11 a.m. 8-105 John Irons
 - c. Fri 1 p.m. 2-139 John Irons
2. **Section:** You attend one-hour sections on Mondays, Wednesdays, and Fridays, run by a TA. If you elect this option, you may choose one of the following sections below. Please note that the 12 p.m. section has been cancelled and up to two more sections will be added next week. New sections will be announced via the 14.02 listserv. See below for details.
 - a. MWF 10 a.m. 2-136 Fernando Aportela
 - b. MWF 11 a.m. 24-307 Alejandro Neut
 - c. MWF 1 p.m. 2-147 Martin Gonzalez-Eiras
 - d. MWF 2 p.m. 24-402 Martin Gonzalez-Eiras
 - e. MWF 3 p.m. 24-307 Alejandro Neut

CHOOSING AN OPTION:

During the first two weeks of the semester, you may freely switch from Lecture-Recitation to Section format, and from one recitation to another. It should be stressed that changing sections at this time DOES NOT REQUIRE the processing of any paperwork with the Registrar or the Department of Economics. On Friday, 12 February, the due date for the first problem set, you will submit your completed assignment in the recitation or section of your choice. Your submission will automatically register you in the chosen section or recitation for the rest of the semester. Thereafter, you may only change recitations or sections with faculty approval. In special cases where section or recitation enrollments are extremely unbalanced, we reserve the right to reassign students.

OFFICE HOURS:

Teaching Assistants will hold regular office hours to answer any questions during the week in E52-232. Time for office hours are Wednesday 3 – 5 p.m. and Thursday 6 – 9 p.m. These hours will be announced during the second week of class. Other times are available by appointment. If you have a question outside of office hours, you may want to e-mail your TA the question. You should get to know your TA personally, as he has discretion over your final grade.

Roger Brinner will typically hold regular office hours Wednesday after class from 10-11 a.m. in E52-356. Please make appointments in advance with his secretary Theresa. Alternative times are also available for those with conflicts or special issues.

COURSE READINGS:

The text for the course is Macroeconomics, by Olivier Blanchard. It is on sale now at the MIT Coop for \$78.50 new and \$58.50 used. It is also strongly advised that students get into the habit of reading the weekly magazine The Economist at least a couple of times a month, as it offers good (and well-written) coverage of economic events, and will provide some context for the course. There will also be a few supplemental readings available at Graphic Arts in the basement of E52. Two copies each of the textbook and reading packet are on reserve at Dewey Library.

COURSE REQUIREMENTS:

This course is based on 7 problem sets, where the best 6 count, one mid-term exam, a group project, and a final exam. The relative weight of each component will be announced later in the term. We will use our 14.02 web page at <http://web.mit.edu/14.02/www> to distribute problem sets and solutions, as well as provide access to an archive of past problem sets, solutions, and exam questions. We will also use the 14.02 public mailing list to distribute important announcements and room changes. To add yourself to this list, simply type mailmaint at the athena% prompt, and add yourself to the list named 14.02. Problem set solutions will generally be posted after the last section or recitation on the date on which they are due, and problem sets will be promptly returned.

COURSE POLICY:

Please note that problem sets are due on its due date, and that no late work will be accepted. Counting only the best 6 of 7 gives you the flexibility for one surprise if required, so please do not ask your TA on Thursday night if you can turn in your problem set late if you have not already exercised this option. You may turn in problem sets to the 14.02 box in E52-391 until 5 p.m. if you miss section.

Collaboration on problem sets is permitted, but please do write up your answers separately. All assignments will be graded individually. On the other hand, collaboration during exams, however, is strictly prohibited, and is considered a breach of academic honesty. We will follow the procedures described in the latest MIT Guidelines on Academic Honesty, which are given in detail in MIT's Policies and Procedures.

If you have a conflict with the evening mid-term exam, you should notify the Head TA of this at least one week in advance. Examples of reasonable conflicts include another exam or sporting event. A new episode of Buffy is not reason for taking the conflict. There will typically be a conflict exam scheduled earlier in the day, but you must register with the Head TA in order to take it.

We have no desire to compel students with medical problems to suffer through exams. If a student misses or is about to miss an exam but makes a credible showing of illness, we will arrange a timely makeup exam. However, in some cases we may be unsure about the justification of student's medical excuse. It is not our job to make medical diagnoses, and we have no right to pry into your private medical records. In such cases, we will ask the Chief of Student Health Services (3-4488) or a dean in counseling and Support Services (3-4861) to resolve the matter. Both offices require the student's prior approval before any information can be released.

Tentative Semester Plan

| Date | Day | Daily Topics | Reference | Chapter(s) |
|-------------|------------|--|------------------|-------------------|
| 2-3 | Wed | Course Objectives and Introductions | MIT01 | 1 |
| 2-5 | Fri | Recitation | | |
| | | Problem Set #1 Posted | | |
| 2-8 | Mon | The Policy Tradeoff: Unemployment vs. Changes in Inflation | MIT02 | 15 |
| 2-10 | Wed | National Income Accounts and the Government Budget | MIT06 | 2 |
| | | Assignment of Groups for Paper | | |
| 2-12 | Fri | Recitation | | |
| | | Problem Set #1 Due | | |
| | | Problem Set #2 Posted | | |
| 2-15 | Mon | President's Day | | |
| 2-16 | Tue | Fiscal Policy | MIT03 | 3-4 |
| 2-17 | Wed | Core Growth Theory | MIT04 | 22 |
| 2-19 | Fri | Recitation | | |
| | | Paper Topics Due | | |
| 2-22 | Mon | Basic Econometric Tools Used in Macroeconomic Models | MIT05 | 4 |
| 2-24 | Wed | Basic Econometric Tools Used in Macroeconomic Models | MIT05 | 4 |
| 2-26 | Fri | Recitation | | |
| | | Problem Set #2 Due | | |
| | | Problem Set #3 Posted | | |
| 3-1 | Mon | Private Portfolio Choices and Central Bank Operations | MIT10 | 5 |
| 3-3 | Wed | IS-LM | MIT07 | 6 |
| 3-5 | Fri | Recitation | | |
| | | Problem Set #3 Due | | |
| | | Problem Set #4 Posted | | |
| | | Last Day to Add Classes | | |
| 3-8 | Mon | AS-AD | MIT07 | 16 |
| 3-10 | Wed | Expectations: The Basic Tools | None | 7 |
| 3-11 | Thr | Mid-term Exam #1, 7-8pm | | |
| 3-12 | Fri | Recitation | | |
| 3-15 | Mon | Consumer Spending and Housing | MIT08 | 8 |
| 3-17 | Wed | Business Investment | MIT09 | 8 |
| 3-19 | Fri | Recitation | | |
| | | Problem Set #4 Due | | |
| 3-22 | Mon | Spring Break | | |
| 3-24 | Wed | Spring Break | | |
| 3-26 | Fri | Spring Break | | |
| 3-29 | Mon | Financial Markets and Expectations | None | 9 |
| 3-31 | Wed | Openness in Goods and Financial Markets | MIT11 | 11 |
| 4-2 | Fri | Recitation | | |
| | | Paper Bibliography Due | | |
| 4-5 | Mon | The Open Economy Goods Market | MIT11 | 12 |
| 4-7 | Wed | The Open Economy IS-LM | None | 13 |
| 4-9 | Fri | Recitation | | |
| | | Optional Quiz | | |
| 4-12 | Mon | Expectations and Exchange Rate Crises | None | 14 |
| 4-14 | Wed | Inflation-Unemployment Tradeoff | MIT12 | 17 |
| 4-16 | Fri | Recitation | | |
| | | Group Paper Due | | |
| | | Problem Set #5 Posted | | |
| 4-19 | Mon | Integrating the Sectors: IS-LM and Inflation | MIT13 | 18 |
| 4-21 | Wed | Patriots Day | | |
| 4-22 | Thr | Last Day to Drop Classes | | |

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|------|-----|---|---------|----|
| 4-23 | Fri | Recitation | | |
| | | Problem Set #5 Due | | |
| | | Problem Set #6 Posted | | |
| 4-26 | Mon | Supply Shocks and Aggregate Demand Management Responses | MIT14 | 16 |
| 4-28 | Wed | Attacks on the Traditional Approaches to Macroeconomics | MIT17 | 30 |
| 4-30 | Fri | Recitation | | |
| | | Problem Set #6 Due | | |
| | | Problem Set #7 Posted | | |
| 5-3 | Mon | Growth Model Basics | MIT18 | 23 |
| 5-5 | Wed | Technological Progress and Growth | MIT18 | 24 |
| 5-7 | Fri | Recitation | | |
| | | Problem Set #7 Due | | |
| 5-10 | Mon | Endogenous Growth and International Transmission | MIT19 | |
| 5-12 | Wed | Properties and Lessons from Models | MIT2021 | 27 |