

Economics 311
Intermediate Macroeconomics
Spring 2018

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Instructor: Garrett Jones, Associate Professor of Economics

Office Hours:

Tuesday afternoons 3pm-4:30pm outside the JC Starbucks (on days when class is held), and by appointment.

This semester we'll study the canonical models that central banks and the best economics departments draw upon to explain both the wealth of nations and short-term business cycles. The focus will be on the models rather than the data, but we'll spend quite some time looking at tests of the models, often horse-races between competing theories. If you do well in the course, you'll be better equipped to distinguish between reasonable macroeconomic ideas and nonsense, a useful skill in many situations.

Since most of you have been exposed to the key models in your principles course, I hope to spend less time dwelling on the basics and more time on the core insights and on applications. To succeed, you'll need to read the chapters in advance. At least for the first few weeks I'll have you take short, easy, 5-minute quizzes to make sure people are reading. Read chapters 1 & 3 over the first weekend.

We will use a lot of algebra in the course, and a small amount of calculus. We'll use natural logarithms ($\ln x$) and the exponential function (e^x) repeatedly.

As part of the course, each of you will become experts on two countries: One with a PPP-adjusted GDP per person of between \$15,000 and 25,000 per year, and one with an income per person of greater than \$35K/year. Your eventual goal will be for you to compare and contrast these two countries: Why does one country just do OK while the other is close to the economic frontier? But we'll build up your knowledge about these two economies piece by piece: by the end of the second week, I should be able to ask each of you to tell your classmates a few basic economic facts about your two countries, so together we'll all learn more about the economies of a few dozen countries. By the end of Unit 3—when I'll stop the in-class country questions—we'll be getting sense of which countries are good places to invest and which are places for investors to avoid.

I'll use a lottery to decide whom to question: So every few classes, I'll randomly select a few students to tell us about, say, the 10-year growth rate of the standard of living or the average interest rate in her or his two countries. It's also a good idea to read long Bloomberg-style treatments of your two countries to get the big picture. The St. Louis Fed's *FRED* database is invaluable because it's so well organized. Each time your name is drawn, it's 1% of your semester grade at stake. I'll announce the topics in advance, it's graded pass/fail, and there are zero opportunities to make it up if you've missed class that day.

I'll approve your country choices: for instance, the US isn't permitted, and we want to avoid tiny countries and countries that are mostly resource-driven as well. The same country can't be chosen twice, so have a couple of choices by the third day of class: I'll use my discretion if multiple people pick the same country and can't quickly come to an agreement.

I've assigned some articles and a podcast, and we'll informally cover quite a lot of articles during class time. If an article is formally assigned and it's not on the syllabus, I'll put it up on Blackboard.

Remember, one learns economics largely the way one learns to play the piano: by practicing, not by reading books about it. Working on end of chapter questions and old exams is a good idea.

Required Books:

Mankiw, *Macroeconomics*, Macmillan Publishers. I've assigned the 9th edition. The 8th edition is OK, but earlier editions make poor substitutes. This is the leading intermediate macroeconomics text, written by a Harvard professor who served as Chair of the President's Council of Economic Advisers. He is a major figure in economic growth research and in New Keynesian business cycle theory.

Jones, *Hive Mind: How your nation's IQ matters so much more than your own*, Stanford University Press, 2015. A Forbes review is [here](#), and it's been widely discussed online. In particular, economist Garrett Petersen of Simon Fraser University [interviewed me](#) for a podcast about the book, and he wrote up a summary as well. On Kindle, *Hive Mind* is currently \$10; it's also available in Chinese.

Course Outline

(chapters from 9th edition, adjust accordingly)

Unit 1: The Flexible-Price World and the Monetary System

Mankiw, Chapters 1, 3-5

Hive Mind, Preface, Introduction and Chapters 1-4.

McCloskey, "Metaphors Economists Live By."

Weil, "Fun with Logarithms."

Exam 1: 20% of grade, on Thursday, February 15.

Unit 2: The Labor Market and Economic Growth

Mankiw, Chapters 7-9

Hive Mind, Chapters 5-7, 10

"A world of free movement would be \$78 trillion richer," *Economist*.

Jones, "Do Immigrants Import their Economic Destiny?" *Economics*

Lucas, "Colonialism and Growth," *Historical Society, Boston*.

Exam 2: 20% of grade, Thursday, March 22.

Unit 3: Sticky-Price Fluctuations

Mankiw, Chapters 10-12, 14

Krugman, "Baby Sitting the Economy"

"Ramey on Stimulus and Multipliers," *EconTalk* podcast/transcript.

Richardson, "The Great Depression," *Federal Reserve History*.

Lucas, "What Economists Do."

Exam 3: 20% of grade, Thursday, April 19.

Unit 4: Optimal Policy and the Global Financial Crisis.

Mankiw, Chapters 18, 20.

Jones, "Why Economies Boom," *The Atlantic*.

Foote and Willen, "The Subprime Mortgage Crisis," *New Palgrave Dictionary of Economics*.

Last day of class before finals: Thursday, March 3.

Final Exam, at the time scheduled by GMU:

Tuesday, May 15, 1:30pm

Please plan accordingly.

I reserve the right to slightly alter the syllabus (deleting or shifting a chapter, for instance), as well as to require additional readings over the course of the semester.

Honor Code

Please keep in mind that George Mason is an Honor Code University. All forms of academic dishonesty are forbidden in this course. Exams must entirely reflect your own work.

Grading

I will drop the lowest non-final exam score: This will take the place of makeup exams. The final cannot be dropped.

Quizzes:	10%
Exams:	20% (3, lowest dropped)
Final:	40% (mandatory)
Class participation/Countries:	10%

I will also provide sample exam questions at least one week before the midterm and the final. The final will be largely but not fully comprehensive: I will list the omitted chapters and readings well before the final exam. Non-Mankiw readings will *not* be comprehensively tested. No extra credit will be offered: Good exam scores and good quiz scores are your path to success in this course.

To repeat:

Non-Mankiw readings will *not* be comprehensively tested.

Communication

I encourage you to come to my office hours and to contact me via e-mail. University policy is that I should only correspond to students through their GMU email accounts, so please contact me through your gmu.edu email. I particularly hope that we'll be able to use Blackboard successfully in this course.

Students with Disabilities

I am happy to make all necessary accommodations for students with disabilities. University policy states that students who would like to request such accommodations should first contact GMU's Office of Disability Services.

To repeat: Final Exam, at the time scheduled by GMU:

Tuesday, May 15, 1:30pm

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