

ECON 403
TOPICS IN MACROECONOMICS
(Intermediate Macroeconomics II)
Spring 2010
MWF 10:00-10:50 am
Dane Smith Hall #326

PROFESSOR: Dr. Christine Sauer, Econ Bldg. #2005, 277-1963, sauer@unm.edu
Office hours: MW 1:00-2:30 pm or by appointment
Course homepage: <http://vista.unm.edu> – log in with your UNM NetID
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Office hours: to be announced

COURSE OVERVIEW & OBJECTIVES: This course focuses on two special topics in macroeconomics that have generated a lot of debate among policymakers, their advisors, business people, and economists in recent years – the *economics of monetary union* and *economic growth*. Our approach to these issues is designed to deepen and broaden your understanding of macroeconomic concepts, theories, and policies by exposing you to macro-modeling and policy analysis using actual data and case studies.

We will study the economics of monetary union in the first half of the semester. The trend toward monetary integration in Europe and elsewhere is one of the most exciting “natural” policy experiments currently underway. We will analyze the benefits and costs of joining a monetary union or “dollarizing” unilaterally, including the practical issues that arise during the transition to a common currency area. The second part of the course is concerned with the age-old question: “Why are we so rich and they so poor?” There has been a resurgence of interest in this issue since the mid-1980s, emphasizing the role of ideas and human capital in the process of economic growth and development. We will explore these modern growth theories and assess their ability to explain the observed empirical facts.

PREREQUISITE: Econ 303. You should also be familiar with simple algebra and geometry. A rudimentary knowledge of calculus would be helpful.

TEXTBOOKS: There are two required textbooks for this class: (1) Paul De Grauwe, *Economics of Monetary Union* (8th ed.), Oxford University Press, and (2) Charles I. Jones, *Introduction to Economic Growth* (2nd ed.), W. W. Norton & Co. Both books are available at the UNM bookstore and from other vendors. Copies of both texts are also on reserve at Parish Library.

OTHER MATERIALS: Supplemental course materials such as problem sets, solutions, exam information, handouts, and additional readings will be posted on the course homepage as needed. The publisher’s website for De Grauwe’s book (www.oxfordtextbooks.co.uk/orc/degauwe8e) offers free student resources. For growth-related information, visit Jones’ personal website at Stanford University (www.stanford.edu/~chadj).

ACCESSIBILITY SERVICES

Qualified students with disabilities needing appropriate academic adjustments should contact Accessibility Services (277-3506) as soon as possible to ensure their needs are met in a timely manner.

COURSE REQUIREMENTS: There will be *three exams, four problem sets*, and a *term paper*. The detailed course schedule follows below. All requirements are suited to satisfy one or more of the Student Learning Outcomes (SLOs) that majors need to document in a portfolio of course work prior to graduating. Please contact the Economics Department for more information about the portfolio requirement for economics majors.

Your final course grade is a weighted average of your performance throughout the semester and will be calculated as follows (for undergraduates):

- Exams – total of 3 ($60+60+80 = 200$ pts. = 50%): The exams will consist of definitions/terms, short problems, and true/false statements. They are formally non-cumulative, although the material builds upon itself. *No make-up exams will be given.* An unexcused absence from an exam will be counted as a failure. Prior notification of the instructor (by e-mail or phone) and a note from a dean or physician are required in case of illness or other serious incapacitating condition. (SLOs: A1, B1, D1, D2, F1)
- Problem Sets – total of 4 ($4 \times 25 = 100$ pts. = 25%): The problem sets will be handed out in class and posted on the course homepage about one week before the due date. The questions will be similar to the exam questions. Problem sets received after the due date are subject to penalty points. *No make-up assignments will be given.* (SLOs: A1, D1)
- Term Paper on Monetary Integration (100 pts. = 25%): Undergraduates may choose their topic to write an empirical paper on monetary integration that includes their own analysis of pertinent economic data. Detailed instructions for the paper will be distributed separately. Any work received after its due date is subject to penalty points. (SLOs: A1, B1, C1, C2, C3, D1, E1, F1)

GRADUATE CREDIT: Graduate students are required to submit only three of the four problem sets ($3 \times 25 = 75$ pts. = 18.75%) and write a substantive research paper (125 pts. = 31.25%) on any issue(s) related to monetary integration, subject to prior approval by the instructor. Detailed instructions for the paper will be distributed separately.

GRADING POLICY: Fractionalized grading (+ and -) will be used. There are 400 possible semester points. Cutoffs for final grades will be determined by the class distribution of total points at the end of the semester. However, an overall score of 90% (80%, 70%, 50%) will be sufficient but not necessary for a letter grade of A- (B-, C-, D-) in this course. All students can earn up to 10 bonus points by completing periodic “mini take-homes” that will be given throughout the semester. The bonus points you earn will be added to your total semester points, but cannot replace any other required work.

Cheating on an exam or assignment and plagiarizing other people’s work are serious offenses that *will* result in a reduced or failing grade for the work in question and/or for the course as well as notification of the appropriate UNM authorities. For more information on the university’s academic regulations and procedures, please refer to the UNM Pathfinder (<http://pathfinder.unm.edu/policies.htm>).

REVIEW SESSIONS: I will hold a brief in-class review prior to each exam. As long as there is sufficient student interest, extra review sessions can also be offered outside the regular class time. If you cannot make any of the review sessions, one-on-one help is always available from your instructor and the TA during office hours.

OTHER INFO: Regular class attendance is critical to your doing well in this class since the exams and problem sets draw on material covered in the lectures as well as in the textbooks. You are expected to have read (perhaps quickly) the assigned chapter before coming to class. I suggest that you re-read the assigned chapter after each class to solidify your understanding of the topic. Occasionally, I will ask you to write a quick, anonymous “minute paper” in class to reflect upon what you’ve learned that day and which concepts you’re not quite sure about.

To succeed in this class, you will need to put in a significant amount of work and effort. In addition to class time, you should budget at least another 6 hours per week for this course – there is a positive correlation between study time and grade earned. Cramming is not an effective method of learning economics (or any other subject)! It is much more important that you solidify your knowledge by using and applying the concepts and tools covered in this class. “Learning by doing” is the best way to do so – that’s where the problem sets and the term paper come in. Think of them as your regular economics workouts! Stay on top of things, review your notes regularly, and bring your questions to class, office hours, or ask them by e-mail. Active class participation is encouraged!

You are also expected to follow current economic news by reading a major newspaper (e.g., *Wall Street Journal*, *Financial Times*, *New York Times*) or weekly magazine (e.g., *The Economist*). Feel free to bring up current topics during or after class for discussion.

COURSE SCHEDULE

<u>Exam Dates:</u>	Feb. 19 (Fri)	exam #1
	Apr. 9 (Fri)	exam #2
	May 14 (Fri)	exam #3 (7:30-9:30 am)
<u>Due Dates for Problem Sets:</u>	Feb. 12 (Fri)	problem set #1
	Mar. 12 (Fri)	problem set #2
	Apr. 5 (Mon)	problem set #3
	May 3 (Mon)	problem set #4
<u>Due Dates for Term Paper:</u>	Mar. 1 (Mon)	proposal
	Mar. 26 (Fri)	data analysis
	Apr. 23 (Fri)	final paper
<u>Deadlines for Bonus Point Work:</u>	to be announced in class	
<u>Important Dates:</u>	Jan. 29	Last day to add courses or change sections
	Feb. 5	Last day to drop course without grade
	Feb. 12	Last day to change grading option
	Mar. 14-21	Spring Break (no classes)
	Apr. 16	Last day to withdraw (WP/WF) without Dean’s approval
	May 7	Last day do withdraw (WP/WF) with Dean’s approval

COURSE OUTLINE & READINGS

A. Economics of Monetary Union (8 weeks)

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| 1. Stages of Monetary Integration | lecture notes |
| 2. Economic Costs and Benefits of Monetary Union | |
| a. Costs of a Common Currency | De Grauwe 1, 2 |
| b. Benefits of a Common Currency | De Grauwe 3 |
| c. Comparison of Costs and Benefits | De Grauwe 4 |
| d. Monetary and Political Union (time permitting) | De Grauwe 5 |
| 3. Monetary Union | |
| a. Transition to Monetary Union | De Grauwe 7 |
| b. ECB and Monetary Policy in the Eurozone | De Grauwe 8, 9 |
| c. Fiscal Policies in Monetary Unions (time permitting) | De Grauwe 10 |
| d. Financial Market Integration (time permitting) | De Grauwe 11 |

B. Economic Growth (8 weeks)

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| 1. Stylized Facts of Growth | Jones 1 |
| 2. The Solow Model | |
| a. Basic Model | Jones 2.1 |
| b. Technology and Growth | Jones 2.2-2.4 |
| c. Human Capital and Growth | Jones 3 |
| d. Natural Resources and Growth (time permitting) | Jones 9 |
| 3. The Romer Model | |
| a. Economics of Ideas | Jones 4 |
| b. Basic Model | Jones 5.1, 5.3, 5.4 |
| c. Technology Transfer and Growth | Jones 6 |
| d. Social Infrastructure and Growth | Jones 7 |