

Stanford Graduate School of Business
MGTECON 300: Growth and Stabilization in the Global Economy

Spring 2010 — Syllabus

Time: Monday / Friday, Section 1: 10:00am - 11:30am, Section 2: 1:30pm - 3:00pm

Room: S182

Midterm exam: Likely in class, Monday, May 3; check schedule.

Final exam: Take home exam, due Monday, June 7 at 12:00 noon.

Please read this syllabus carefully before the first class on April 2 and complete the assigned readings for that class. The syllabus contains essential information about schedules, assignments, exams, and the commitments you make to take this course.

Instructor:

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URL for the course: <http://coursework.stanford.edu>

The course syllabus, handouts, supplementary materials, and homework assignments and answers will be posted on the website.

Required Text: Charles I. Jones, *Macroeconomics: Economic Crisis Update*, 2010, W.W. Norton.

Course Reader: There is a course reader containing required supplementary readings.

Overview: This is a survey course in macroeconomics. This course gives students the background they need to understand the broad movements in the global economy. Key topics include long-run economic growth, technological change, booms and recessions, inflation, interest rates, monetary and fiscal policy, wage inequality, international trade, and exchange rates. By the end of the course, students should be able to read and understand the discussions of macroeconomic issues in *The Economist*, the *Wall Street Journal*, the *Economic Report of the President*, or the Congressional Budget Office. The course will be self-contained, so students who have not had any prior exposure to macroeconomics should be able to complete the course successfully.

Grading: Grades are determined as follows: 50% based on the final exam, 25% based on the midterm, and 25% for class participation.

If it will help your grade, I will use your final exam score in place of your midterm score in computing your overall grade for the course. However, note that the midterm is easier than the final. That is my goal. I do not normalize the means of the midterm and final when computing the course average. I want to reward those who take the midterm seriously. The date and time of the midterm cannot be changed, and no makeup exam will be given.

The final exam is a take-home exam. It will be distributed at the end of the last class, on Wednesday, June 2 and will also be posted on the course web site the afternoon of that same day. The exam will be due in the course lock box no later than Monday June 7 at 12:00 noon. Should the need to do so arise, you may also fax or email the exam to me before the deadline. These dates and times cannot be changed, and no exceptions will be made.

Any re-grade requests must be made within 7 days after I return the exam to you. The request MUST be done in writing and returned to me together with the entire exam. The request should include a description of the problem and why you think the exam should be graded differently. In such cases, I will re-grade the entire exam – not just the question you identified.

A good grade for class participation involves satisfactorily completing the problem sets on time, attending class, presenting summaries of readings, participating in class discussions, and generally being a good citizen. At times, I will “cold call,” asking questions on readings for a class session. The cold calls create an incentive for everyone to be well prepared for class, leading to a much more stimulating class discussion. I will use a three grade system for participation (below standards for the class, at standards for the class, and well above the standard for the class); students will be notified if and when they fall into the first category. I will not always cover all material in the assigned chapters and readings in class but will expect you to have done the reading.

No one is allowed to take the course as an auditor or on a pass/fail basis. Due to the structure of the course, a student will not have a successful learning experience if he or she is not able to put in the required time outside of the classroom doing the readings and problem sets. Also, students who are not adequately prepared can slow the class down and take away from the quality of the experience for those students who are prepared.

Course Requirements: You are required to

- **Attend.** If you miss more than two classes your grade may suffer. You must remain in the same seat throughout the quarter. No laptops may be used in class without the explicit permission of the instructor.
- **Prepare.** Do the assigned readings before the start of class and come to class prepared to discuss them. The readings include chapters from the textbook and short articles in the course reader or handed out in class. You must be prepared to summarize each

reading in class if called upon.

- **Check the web site.** I will use the course web page to let know about any changes in readings, corrections in the handouts, etc. This is very important: If you do not check the web site regularly (and after 3pm on the day before class), you will miss important information.
- **Be informed.** Students are required to read the business section of a major newspaper — preferably *The Wall Street Journal*, the *Financial Times*, or *The Economist* — in order to stay abreast of developments in the world economy.
- **Turn in problem sets.** Four problem sets will be posted on the website. You are required to turn in answers to all four problem sets at the beginning of the classes at which they are due. No late problem sets will be accepted. You are strongly encouraged to work in groups, but you must turn in your own answers, *in your own words*. Solutions to the problem sets will be posted on the website later that day.
- **Take the exams.** Subject to the conditions described above.

Course Schedule and Outline

Note: Additional readings reflecting current macroeconomic developments will be added during the quarter; check the course web site regularly.

Introduction

April 2: *An Overview of Macroeconomics*

Jones, Chapters 1, 2, and 3. Also, Sections 1 through 3 of Chapter 13.

The Long Run

April 5: *Why are some countries richer than others?* [Problem Set 1 available]

Jones, Chapter 4.

Joseph Stiglitz, “[GDP Fetishism](#)” *Project Syndicate*, September 7, 2009.

April 9: *Why do economies grow? Inputs?*

Jones, Chapter 5.

April 12: *Accounting for Growth* [Problem Set 1 due]

Jones, Chapter 6 (Section 5 only).

Class Discussion on the topic “Why are some countries 50 times richer than others?”

Paul Krugman, “[The Myth of Asia’s Miracle](#),” *Foreign Affairs*, Nov/Dec 1994.

Paul Romer, “[For Richer, For Poorer](#)” *Prospect*, January 27, 2010.

April 16: *The Economics of Ideas* [Problem Set 2 available]

Jones, Chapter 6 (Sections 1 and 2).

Paul Romer, “[Economic Growth](#)” *The Concise Encyclopedia of Economics*, David R. Henderson, ed. Liberty Fund, 2007.

“[Imitate or Die](#)” *The Economist*, November 8, 2007.

April 19: *Innovation and Economic Growth*

Jones, Chapter 6 (Sections 3 through 8).

Robert Barro, “[Bill Gates Charitable Vistas](#),” *Wall Street Journal*, June 19, 2007.

“[Malthus, the false prophet](#)” *The Economist*, May 15, 2008.

April 23: *The Dismal Science: Unemployment and Inequality* [Problem Set 2 due]

Jones, Chapter 7.

Janet Yellen, “[Economic Inequality in the United States](#)” *FRBSF Economic Letter*, December 1, 2006.

T. Piketty and E. Saez, “[The Evolution of Top Incomes...](#)” *American Economic Review* 96, May 2006, 200–205.

David Brooks, “[The Biggest Issue](#)” *New York Times*, July 29, 2008.

April 26: *The Dismal Science: Inflation in the Long Run*

Jones, Chapter 8.

“[A Worthless Currency](#)” *The Economist*, July 17, 2008.

The Short Run

April 30: *Booms, Busts, and the IS Curve*

Jones, Chapters 9 and 10. Also, reread Chapter 13.

May 3: *** **Midterm Exam (in class)** *** (Date to be confirmed)

May 7: *Monetary Policy and the Phillips Curve* [Problem Set 3 available]

Jones, Chapter 11. Also, Chapter 14, pp. 357–361.

May 10: *Aggregate Demand and Aggregate Supply*

Jones, Chapter 12 (Sections 1 through 5). Chapter 14, Section 2.

May 14: *Stabilization Policy & Expectations* [Problem Set 3 due]

Jones, Chapter 12 (Sections 6 and 7), rest of Chapter 14.

May 17: *The Global Financial Crisis in Light of the Great Depression* [Problem Set 4 available]

Christina D. Romer, “[The Nation in Depression](#)” *Journal of Economic Perspectives*, Spring 1993, 7(2), pp. 19–39.

Ben Bernanke, “[Asset-Price ‘Bubbles’ and Monetary Policy](#)” October 15, 2002 (Federal Reserve speech).

Martin Wolf, “[Japan’s Lessons for a World of Balance-Sheet Deflation](#)” *Financial Times*, February 17, 2009.

Paul Volcker, “[How to Reform our Financial System](#)” *New York Times*, January 30, 2010.

May 21: *The Fiscal Problem of the 21st Century*

Jones, Chapter 15.

May 24: *Globalization and Trade* [Problem Set 4 due]

Jones, Chapter 16.

Hal Varian, “[An IPOD has Global Value: Ask the Many Countries That Make It](#)” *New York Times*, June 28, 2007.

Steven Landsburg, “[What to Expect When You’re Free Trading](#)” *New York Times*, January 16, 2008.

May 28: *Exchange Rates and the International Financial System*

Jones, Chapter 17.

Paul Krugman, “[Chinese New Year](#)” *New York Times*, December 31, 2009.

June 2: *Wrap-Up*

Jones, Chapter 18.