

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

Fall 2008 — Syllabus

Time: Tuesday / Thursday, 10:00am - 11:30am

Room: S151

Midterm exam: In class, Tuesday, October 28.

Final exam: Take home exam, due Thursday, December 11 at 12:00 noon.

Please read this syllabus carefully before the first class on September 23 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:

Charles I. Jones

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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*, 1st edition, 2008, 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 Bud-

get 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 substitute your final exam score for 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 Thursday December 4 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 Thursday December 11 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 are required to remain in the same seat throughout the quarter.
- **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. You are highly encouraged to work in groups, but you must turn in your own answers to the problem sets. 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

September 23: *An Overview of Macroeconomics*

Jones, Chapters 1 and 3.

Jones, "[Current Macroeconomic Events](#)" August 2008 — Sections 1 through 3

September 25: *Measuring the Macroeconomy*

Jones, Chapter 2.

Andrew Revkin, "[A New Measure of Well-Being From a Happy Little Kingdom](#)"
New York Times October 4, 2005.

"[Grossly Distorted Picture](#)" *The Economist*, Mar 13th 2008.

The Long Run

September 30: *Why are some countries richer than others?* [[Problem Set 1 available](#)]

Jones, Chapter 4.

"[The Road to Hell is Unpaved](#)," *Economist*, December 21, 2002.

October 2: *Why do economies grow? Inputs?*

Jones, Chapter 5.

October 7: *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.

"[The American economy: Slow road ahead](#)" *The Economist* Oct 26, 2006.

October 9: *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* Nov 8, 2007.

October 14: *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.

October 16: *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.

October 21: *The Dismal Science: Inflation in the Long Run*

Jones, Chapter 8.

"[A Worthless Currency](#)" *The Economist* Jul 17th 2008.

The Short Run

October 23: *Booms, Busts, and Inflation*

Jones, Chapter 9.

Jones, "[Current Macroeconomic Events](#)" August 2008, Reread Sections 1–3

October 28: *** Midterm Exam (in class) ***

October 30: *The IS Curve* [Problem Set 3 available]

Jones, Chapter 10. (Also “Can the Macroeconomy Predict Presidential Elections, p. 229-231.)

Ray Fair, “[Presidential Vote Equation](#)”
(see <http://fairmodel.econ.yale.edu/vote2008/index2.htm>; not in Course Packet)

November 4: *Monetary Policy and the Phillips Curve*

Jones, Chapter 11.

November 6: *Aggregate Demand and Aggregate Supply* [Problem Set 3 due]

Jones, Chapter 12 (Sections 1 through 5)

Jones, “[Current Macroeconomic Events](#)” August 2008 — Sections 4 and 5

November 11: *Stabilization Policy & Expectations* [Problem Set 4 available]

Jones, Chapter 12 (Sections 6 and 7)

November 13: *Current Events in Light of the Great Depression*

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

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

Frederic S. Mishkin, “[Global Financial Turmoil and the World Economy](#)” July 2,
2008 (Federal Reserve speech).

November 18: *The Fiscal Problem of the 21st Century*

Jones, Chapter 13.

November 20: *Globalization and Trade* [Problem Set 4 due]

Jones, Chapter 14.

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.

December 2: *Exchange Rates and the International Financial System*

Jones, Chapter 15.

[“Global Imbalances: America’s Current-Account Deficit”](#) *The Economist*, Mar 15th 2007.

December 4: *Wrap-Up*

Jones, Chapter 16.