

MACROECONOMICS

ECON 8360 Ph.D. Program

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Office Hours: Tuesdays to Thursdays: 11:00 am – 12 pm;

Wednesdays: 2 pm – 5 pm; and by appointment.

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Dept. of Economics & Finance

COURSE DESCRIPTION AND GOALS

This course introduces Ph.D. students to macroeconomic analysis. We will define and analyze macroeconomic variables and present them within an integrated analytical framework. We will discuss macro models which analyze the effects of monetary and fiscal policies on the economy with an emphasis on applications of the theory to recent real world events. While the course is based on textbook lectures, representative articles are chosen to complement the basic material. Issues to be covered include: asset markets, money, and prices; consumption, saving and investment; output, the labor market, and business cycles; long-run economic growth; the Phillips curve; and monetary policy within the Federal Reserve System. The **expected goal is that the Ph.D. students write an original article** covering one of these topics using recent empirical methods.

TEACHING METHODS

Classes will be based **primarily on lectures. Presentations by the students on the research topics** will take part in the last part of selected sessions. On the regular presentations, the students should be able to summarize and present your ideas as accurately as possible to the audience. Each research team will choose a published journal article (as well as follow-up articles) and discuss the details in its presentation. I will seek clarifications during the presentations. Expected to be managed in a “workshop style”, the material to be used in the class presentations include: articles, Powerpoint slides, EXCEL data files, econometric software outputs, etc. Reading assignments with occasional homework problems and internet searches will also be used to help students better understand the material. Students are expected to prepare for each class by reviewing their notes, working through assigned problems, and reading the assigned material. After each partial exam, the beginning of the following session will be dedicated to a quick exam solution. **Please participate actively throughout the learning process.**

REQUIRED READING MATERIAL

Basic Reference Textbooks:

An intermediate level textbook which contains most of the discussions herein at a more basic level is: Abel, Andrew B., Ben S. Bernanke, and Dean Croushore. *Macroeconomics*. Sixth Edition. Addison Wesley. Boston: 2008. ISBN 0-321-41554-X. At the graduate level, a good reference is: Blanchard, Olivier and Stanley Fischer. *Lectures on Macroeconomics*. Cambridge, The MIT Press, 1989. *The Wall Street Journal* is recommended for U.S. economy developments.

The required reading list includes the following articles from professional journals:

Empirical Methods

Stock, James and Mark Watson (2001). “Vector Autoregressions.” *Journal of Economic Perspectives* 15 (4), 101-115.

Boivin, Jean, and Marc Giannoni (2006). “Has Monetary Policy Become More Effective?” *Review of*

Economics and Statistics 88 (3), 445-462.

Real Interest Rates

Rapach, David and Christian Weber (2004). "Are Real Interest Rates Really Nonstationary? New Evidence from Tests with Good Size and Power." *Journal of Macroeconomics* 26, 409-430.

Phillips Curve

Russell, Bill, and Anindya Banerjee (2008). "The Long-Run Phillips Curve and Non-Stationary Inflation." *Journal of Macroeconomics* 30, 1792-1815.

Asset Market, Money, and Prices

Ball, Laurence (2001). "Another Look at Long-Run Money Demand." *Journal of Monetary Economics* 47, 31-44.

Hafer, R.W., Joseph Haslag, and Garrett Jones (2007). "On Money and Output: Is Money Redundant?" *Journal of Monetary Economics* 54, 945-954.

Hafer, R.W., and Garrett Jones (2008). "Dynamic IS Curves with and without Money: An International Comparison." *Journal of International Money and Finance* 27, 609-616.

Productivity, the Real Economy, and Technology Shocks

Francis, Neville, and Valerie Ramey (2005). "Is the Technology-Driven RBC Hypothesis Dead? Shocks and Aggregate Fluctuations Revisited." *Journal of Monetary Economics* 52, 1379-1399.

Basu, Susanto, John Fernald, and Miles Kimball (2006). "Are Technological Improvements Contractionary?" *American Economic Review* 96 (5), December, 1418-1448.

Chang, Yongsung, and Jay H. Hong (2006). "Do Technological Improvements in the Manufacturing Sector Raise or Lower Employment?" *American Economic Review* 96 (1), March, 352-368.

Liu, Zheng, and Louis Phaneuf (2007). "Technology Shocks and Labor Market Dynamics: Some Evidence and Theory." *Journal of Monetary Economics* 54, 2534-2553.

Consumption, Saving and Investment

Bartolini, Leonardo, and Amartya Lahiri (2006). "Twin Deficits, Twenty Years Later." *Federal Reserve Bank of New York* October, 12 (7), 1-7.

Berben, Robert-Paul, and Teunis Brosens (2007). "The Impact of Government Debt on Private Consumption in OECD Countries." *Economics Letters* 94, 220-225.

Fiscal Policy

Romer, Christina, and David Romer (2010). "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks." *American Economic Review*, forthcoming.

Spilimbergo, Antonio, Steve Symansky, Olivier Blanchard, and Carlo Cottarelli (2008). "Fiscal Policy for the Crisis." *IMF Staff Position Note* SPN/08/01, December 2008.

Blanchard, Olivier, and Roberto Perotti (2002). "An Empirical Characterization of the Dynamic Effects of Changes in Government Spending and Taxes on Output." *Quarterly Journal of Economics* 117, 1329-1368.

Monetary Policy

Clarida, Richard, Jordi Galí and Mark Gertler (2000). "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory." *Quarterly Journal of Economics* 115, 147-180.

Poole, William (2006). "The Fed's Monetary Policy Rule." *Federal Reserve Bank of St. Louis Review* January/February, 1-11.

Berument, Hakan and Richard Froyen (2007). "Monetary Policy and Long-Term U.S. Interest Rates." *Journal of Macroeconomics* 28, 737-751.

Brissimis, Sophocles and Nicholas Magginas (2006). "Forward-Looking Information in VAR Models and the Price Puzzle." *Journal of Monetary Economics* 53, 1225-1234.

Mojon, Benoît (2008). "When did Systematic Monetary Policy have an Effect on Inflation?" *European Economic Review* 52, 487-497.

Carpenter, Seth, and Selva Demiralp (2008). "The Liquidity Effect in the Federal Funds Market: Evidence at the Monthly Frequency." *Journal of Money, Credit and Banking* 40 (1), 1-24.

INSTRUCTIONS FOR THE TERM PAPER

A preliminary and brief (1 page limit) description of your research is to be turned in on **September 14** and must contain at least one article from a refereed journal in Economics. The term papers, focusing on an empirical study - with a clear theoretical benchmark - developed during the course, should be under 30 pages of length, double-spaced, with one-inch margins and typed in 12 point font (10 point font for footnotes, if any, should be included at the bottom of each page). The manuscript must be written in the following order: introduction, the model, results, conclusions, references, figures, and tables. The reference list should have a complete one to one correspondence with articles or books quoted in the essay. The 30-page limit referred to above includes text, graphs, figures, references, etc. The term paper is **due on December 7 at the beginning of the class time** and 3 points will be deducted for each hour of late submission. The essay must have the format of a professional journal of Economics, which should be listed at the cover page of the article. The **entire paper must be written according to the "Instructions for Authors" guidelines**; not as how you see the paper in its final print form. Points will be deducted from manuscripts that do not follow these procedures. Students can choose to extend upon any recent article published in the *Journal of Macroeconomics*, *Journal of Monetary Economics*, *Journal of Money, Credit and Banking*, or any other major professional journal that is related to Macroeconomics and to the topics covered in class.

PERFORMANCE MEASURES AND REWARDS

Exams: The 3 partial exams are designed to cover blocks of lectured material. **No make-up tests will be given.** The class grade is determined by the weighted average of: a) the best two among the three midterm examinations (40% of the final grade); b) the term paper (40%); c) regular presentations and delivery of material related to the term paper (15%); and d) final presentation of the term paper (5%). Homework assignments *may* provide additional points to each midterm exam or *may* help students who end up in borderline cases (1 or 2 points from the next highest grade), as defined below. These situations are decided by the instructor at his discretion.

Homework: Homework problems and internet assignments will be assigned throughout the semester.

Designed to help students learn relevant material, they will not be turned in for a grade.

Reward Structure: At the end of the semester, the weighted average of points will determine the grade as follows:

A 90 points or up	B 80 - 89 points	C 70 - 79 points
D 60 - 69 points	F 59 or fewer points	

There are some gray areas when students may be one or two points from the next highest grade. Students with strong attendance, who participate in a constructive manner, and who consistently arrive to class on time will be given the benefit of the doubt in these borderline grades.

Drop Policies: Institutional guidelines regarding drop requirements will be followed. This semester **November 12** is the last day to drop a course or withdraw through the Office of the Registrar; please check the UTPA's calendar for details. Please follow UTPA's policies and submit the (blue) drop slip for the professor's signature if you wish to drop the course.

ATTENDANCE, TARDINESS, AND BEHAVIORAL POLICIES

You are expected to attend class. Moreover, you are expected to be in class on time and should stay for the entire duration of the class. The professor reserves the right to take attendance; late students will be counted as absent. Illnesses that do not require the aid of a licensed physician, work, or car problems are not valid excuses to miss class. Moreover, tardy students and those who leave early are disruptive. Such students will lose the benefit of the doubt in case of borderline grades and will be counted as absent. Finally, when in class, please turn your cell-phones off. **Do not call or write the professor with requests**, such as: early disclosure of test grades or makeup exams. Use the office hours to address questions related to the learning process. You may request an appointment if the office hours do not fit into your schedule. Please try your very best not to visit the professor at times other than the office hours and special appointment windows.

STUDENTS WITH DISABILITIES

Please contact the Office for Persons with Disabilities (ph: 316-7005) *immediately* for arrangements.

ACADEMIC MISCONDUCT

Students at UTPA are expected to observe and maintain the highest academic and professional standards of conduct. Any student found guilty of academic misconduct shall be subject to disciplinary actions. Academic misconduct includes, but is not limited to, cheating or assisting another student in cheating, plagiarism, unauthorized possession of course materials, and disrupting or obstructing any teaching method/environment. See Section 5 in UTPA's *HOP* (www.panam.edu/hop/) for details.

ABOUT YOUR PROFESSOR

André V. Mollick obtained his Ph.D. and M. Sc. in Economics from the University of Tsukuba in Japan in 1996 and his B.A. in Economics from the University of Brasilia (UnB) in Brazil. Prior to joining UTPA in the Fall of 2004, he worked as faculty member at Monterrey's ITESM for four and a half years. After completing his graduate school education, he worked in the private sector: for the Bank of Tokyo-Mitsubishi in Miami and for Sony Corporation in New York City. For details of his career and publication record, please refer to his homepage: <http://avmollick.googlepages.com/home>

DISCLAIMER

This syllabus is tentative. Any changes will be announced in class, which is your responsibility to attend.

OUTLINE OF LECTURES

Tentative Dates	Topics	References
Aug 31	Introduction to Macroeconomics: VAR Modelling in Empirical Research	Stock and Watson (2001) Boivin and Giannoni (2006)
Sep 14	Real Interest Rates The Phillips Curve and Inflation	Rapach and Weber (2004) Russell and Banerjee (2008)
Sep 21	The Asset Market, Money, and Prices	Ball (2001) Hafer et al. (2007) Hafer and Jones (2008)
Sep 28	Exam I	
Oct 5	Discussion of Exam I	
Oct 5	Long-Run Economic Growth and Technology Shocks	Francis and Ramey (2005) Liu and Phaneuf (2007)
Oct 12	Long-Run Economic Growth and Technology Shocks	Chang and Hong (2006) Basu et al. (2006)
Oct 19	Consumption, Saving, and Investment	Bartolini and Lahiri (2006) Berben and Brosens (2007)
Oct 26	Exam II	
Nov 2	Discussion of Exam II	
Nov 2	Fiscal Policy	Romer and Romer (2010) Spilimbergo et al. (2008) Blanchard and Perotti (2002)
Nov 9	Monetary Policy and the Federal Reserve System	Clarida et al. (2000) Poole (2006)
Nov 16	Monetary Policy and the Price Puzzle	Berument and Froyen (2007) Mojon (2008) Brissimis and Magginas (2006)
Nov 23	Monetary Policy and the Liquidity Puzzle	Carpenter and Demiralp (2008)
Nov 30	Exam III	
Dec 7	Discussion of Exam III	
Dec 7	FINAL PRESENTATIONS OF TERM PAPERS	

Notes: Lectures are based on readings listed in this syllabus. Official holidays are: Mon, September 7 (Labor Day); Thu, Fri, November 26-27 (Thanksgiving); and Thu, Fri, December 10-11 (Dead Days).