Course Description: This is a seminar course in macroeconomics. One aim is to give students a larger role in presenting and discussing economics than occurs in standard lecture-based courses. A second aim is to fill a hole in the lack of high-level courses in macroeconomics. This means that the intellectual bar will be raised compared to intermediate-level courses. This will allow us to discuss issues by directly reading the arguments put forward by top economists rather than by relying upon textbook treatments.

Course Format: For each topic we will discuss several journal articles. Articles will typically be presented by (small) student teams. All students are expected to have read the relevant articles and to actively participate in raising questions or comments. Students will present a preliminary version of their Review Paper and Country Study during class.

Grading:

Review Paper + Country Study + Editorial 70%

Presentations + Class Participation 30%

Review Paper, Country Study and Editorial:

Each student must hand in a review paper, country study and editorial by May 2, 2011. The review paper should be 10+ typed pages and have 10+ references. The paper should review work within a particular literature. This will typically involve indicating main issues, main facts and the main interpretations of the facts. It should provide a sense of how developments within the literature have changed over time.

The country study should be a factual paper which reviews the macroeconomic situation of a country over as long a period as possible. You must (1) select some country other than the US and (2) collect data on macro aggregates such as GDP, Capital, Labor, Consumption, Government Spending and Investment. Turn in the data in the form of an excel sheet and indicate where the data came from. I expect to see at a minimum a growth accounting exercise, a business-cycle analysis employing the Hodrick-Prescott Filter and a factual analysis of some specific macroeconomic issue within the country.

The editorial should be brief (no more than about 800 words), relevant to current issues, based on some facts about your country and express a clear opinion. If it is on a topic with a long economic literature, then indicate the connection with existing theoretical or empirical work in economics.
Outline of Topics:

1. Methodology (The Lucas Critique)
   Lucas (1976) and Lucas (1984)

2. Growth and Wealth of Nations
   Background Facts: Parente and Prescott (1994)
   Background Theory: Solow Growth Model and Neoclassical Growth Model
   Tool: Solow (1957)

3. Business Cycle Fluctuations

4. Hours of Work
   Micro View: Frisch Elasticity

5. State of Macroeconomics

6. Global Imbalances
   Background: Feldstein and Horioka (1980)

7. Sources of Inequality
   Facts: Diaz-Gimenez, Quadrini and Rios Rull (1997)
References - Where to Find These Articles:

1. Methodology:
   Conference Series on Public Policy, volume 1.
   Lucas (1984), Rules, Discretion, and the Role of the Economic Advisor,

2. Growth and Wealth of Nations
   Parente and Prescott (1994), Changes in the Wealth of Nations, Federal
   Reserve Bank of Minneapolis Quarterly Review
   Lucas (1990), American Economic Review, 80, 92-96
   Easterly (2001), The Elusive Quest for Growth: Economists Adventures
   and Misadventures in the Tropics
   Midrigan and Xu (2010), Finance and Misallocation: Evidence from
   Plant-Level Data, manuscript

3. Business Cycle Fluctuations
   Kydland and Prescott (1990) Business Cycles: Real Facts and a Monetary
   Myth, Mpls Fed QR.
   Ravn and Uhlig (2002) "On adjusting the Hodrick-Prescott filter for the
   frequency of observations," The Review of Economics and Statistics,
   vol. 84(2), pages 371-375.
   Plosser (1989), Journal of Economic Perspectives

4. Hours of Work
   1950-2000, Mpls Fed QR
   Micro View: Frisch Elasticity
   More Than Europeans? Mpls Fed QR

5. State of Macroeconomics
   Mankiw (2006) The Macroeconomist as Scientist and Engineer, Jour-
   nal of Economic Perspectives
Krugman (2009) How Did Economists Get It So Wrong, NYTimes Magazine 2009
Cochrane (2009) How Did Paul Krugman Get It So Wrong, authors webpage

6. Global Imbalances


7. Sources of Inequality

Diaz Gimenez, Quadrini and Rios Rull (1997) Dimensions of Inequality, Minneapolis Fed QR article
Huggett, Ventura and Yaron (2010) Sources of Lifetime Inequality, Author’s website