Macroeconomics 1, L3S1, 2014-2014
Prof. Chaney and Portier

Class description

This class is a broad introduction to modern macroeconomics. It is the first part of the macro sequence for Licence 3, co-taught with Franck Portier and Patrick Fève.

In this first class, we will go over some of the pillars of modern macroeconomics. There are three guiding principles to this class: first, discover, understand and (optionally) read a few of the classical contributions in macroeconomics in the last fifty years; second, become familiar with economic reasoning; third, acquire practical technical skills, learn where to look for macro data, and how to analyze those data. The class will also make use of economic history to motivate some theoretical problems.

Reading material

There is no assigned textbook for this class. Thomas Chaney has written extensive lecture notes (https://sites.google.com/site/thomaschaney/teaching/macro). Those lecture notes, in addition to attending classes and TA sessions should cover all the material for this class. Franck Portier has written detailed slides that can be worked before the class (http://fportier.wordpress.com/teachingenseignement/l3-macro/).

If you are interested in further readings, we recommend three types of reading material.
First, two undergraduate textbooks may be useful. Barro's textbook is less technical and maybe more user-friendly. Doepke et al.'s textbook is more formal. It is really a matter of taste which one you may prefer.
In addition to those textbooks, you can read the actual papers this class is based upon. Those academic papers are listed along with the titles of the lectures below. They are all seminal papers in macroeconomics, and most earned their author a Nobel prize in economics.
Finally, on the informal side, you are encouraged to actively read blogs and informal material on economics. we list a few suggestions below.

Macro textbooks:

Robert Barro: Macroeconomics
MIT Press.

Matthias Doepke, Andreas Lehnert and Andrew Sellgren: Macroeconomics
UCLA 2001.

Informal readings:

Paul Krugman's "The Accidental Theorist and Other Dispatches from the Dismal Science" (http://www.amazon.com/Accidental-Theorist-Dispatches-Dismal-Science/dp/0393318877)
This book is a compilation of columns that Krugman wrote for the Slate magazine in the 1990's. Each is short, they're written in plain English, and destined to lay persons. They're an easy and fun read. At the same time, they're written by one of the most prominent economist of the second half of the 20th

century, and they are (mostly) based on very sound economic reasoning.

Some good economics blogs:

Brad DeLong's blog: Grasping Reality with Both Invisible Hands
(http://delong.typepad.com/)

Steve Levitt's blog: Freakonomics
(http://www.freakonomics.com/blog/)

Greg Mankiw's blog: Random Observations for Students of Economics
(http://gregmankiw.blogspot.fr/)

John Cochrane's blog: the Grumpy Economist
(http://johnhcochrane.blogspot.fr/)

Paul Krugman's blog: The Conscience of a Liberal
(http://krugman.blogs.nytimes.com/)

Evaluation

Assignments: There will be weekly problem sets and a final exam.

- *Weekly problem sets:* each week, a problem set will be due (there will be 10 problem sets in the semester, 5 for Professor Chaney's section, and 5 for Professor Portier's section). Problem sets will be handed in/posted online on Monday, and due 11 days later on Friday. Solutions to the problem sets will be posted online on Friday night. Solutions will be discussed during the TA sessions the following week. Students can work in pairs for those problem sets, but no team of more than 2 students will be allowed. For those problem sets, students will both solve some theoretical questions, as well as perform some simple empirical analysis. For the empirical part of the problem sets, students will be asked to access macro data online on their own (we will give you instructions on where to find the data), and then perform simple calculations on those datasets, using only simple tools from a spreadsheet. This empirical part will give the students a first hand experience in dealing with actual data.
- *Final:* the final exam will take place during final exam period. All the material covered in class and during the TA session will be required for the exam.

Grading: Your course grade will be based on both problem sets (40%), and the final exam (60%).

Syllabus

1. Measurements: GDP and GDP growth
   - Jones, Charles I. and Romer, Paul M. (2010), "The New Kaldor Facts: Ideas, Institutions, Population and Human Capital," *American Economic Journal: Macroeconomics*.
2. Growth
   - Solow, Robert M (1956), "A Contribution to the Theory of Economic Growth," *Quarterly Journal of Economics*.
   - Kremer, Michael (1993), "Population Growth and Technological Change: One Million B.C. to 1990," *Quarterly Journal of Economics*.
   - Diamond, Jared (1997), "Guns, Germs and Steel," W. W. Norton, New York.
3. Business Cycle
   - Lucas, Robert E. Jr. (2003), "Macroeconomic Priorities," *American Economic Review*.
4. Overlapping Generations, Money and Pensions
   - Samuelson, Paul A. (1958), "An Exact Consumption-Loan Model of Interest with or without the Social Contrivance of Money," *Journal of Political Economy*.
5. Bank Runs
   - Diamond, Douglas W. and Philip H. Dybvig (1983), "Bank Runs, Deposit Insurance, and Liquidity," *Journal of Political Economy*.
6. (Very) Long Run Growth
   - Gregory Clark, 2007. " A Farewell to Alms : A Brief Economic History of the World", Princeton University Press.
   - Galor, Oded, 2005. " From Stagnation to Growth : Unified Growth Theory," Handbook of Economic Growth, in Philippe Aghion & Steven Durlauf (ed.), Handbook of Economic Growth, edition 1, volume 1, chapter 4, pages 171-293, Elsevier.
7. Sustainable Growth and Easter Island Economics
   - Jarred Diamond, 2005. "Collapse : How Societies Choose to Fail or Succeed, " Viking Press
   - James A. Brander and M. Scott Taylor, 1998, "The Simple Economics of Easter Island : A Ricardo-Malthus Model of Renewable Resource Use," The American Economic Review, 88(1), pages 119-138
8. Central Planning versus Markets, the Rise and Fall of the Soviet Union
   - References to be added