Welcome. I am Prof. Jeffrey S. Zax. This is Economics 3080, Intermediate Macroeconomic Theory. This class will meet on Mondays, Wednesdays and Fridays from 10:00 a.m. until 11:50 a.m. throughout the semester in Economics 13. I will hold regular office hours between 11:00 a.m. and 12:00 p.m. on Mondays and Wednesdays in my office, Economics 111. Appointments can be made for meetings at other times if these are inconvenient.

The material to be mastered in this course is summarized in the assigned textbook, Macroeconomics, by N. Gregory Mankiw. You should expect to attend lectures regularly and read the relevant sections of the text prior to each lecture.

Performance in this class will be judged on the basis of nine homework assignments, three case studies, one midterm examination, one quiz, one computer simulation and the final examination:

1. The homework assignments will be based on the "Macro Models" associated with nine of the textbook chapters in the accompanying computer manual Macrobytes, by David Weil. Each assignment will consist of exploring these models to achieve a particular goal. The exact form of each assignment is given tentatively in the attached list. The assignment will typically be due at the first class following lectures on the associated chapter. Each homework assignment will be worth 10 points.

2. The three case studies are Paul Volcker and the Federal Reserve: 1979-1982, The Reagan Plan and The Reagan Deficits, all from Harvard Business School. Each assignment will consist of one and one-half lectures devoted to discussion of the case, followed by a three-page analysis. The analysis will be due at the class following the discussion. Each case study will be worth 30 points.

3. The midterm examination will take 45 minutes. It will be worth 45 points.

4. The quiz will take 25 minutes. It will be worth 25 points.

5. The computer simulation is 2001: A Game for Macroeconomists, in Macrobytes, by David Weil. The results of your simulation, described in a five-page paper with relevant statistical appendices, will be due at the last class of the semester. It will be worth 70 points.

5. The final examination will take three hours. It will be worth 180 points.
The course as a whole is valued at 500 points. The score attained by each student, evaluated relative to those of other students and to the score which would be attained by an intelligent student of macroeconomics, will determine final letter grades.

This course has the following tentative schedule:

Introduction
Chapters 1 and 2
Chapter 3
Chapter 4

Chapter 5
Chapter 6
Case: Paul Volcker and the Federal Reserve
Chapter 7
Midterm examination
Chapter 8
Chapter 9

Chapter 10
Chapter 11
Quiz
Chapter 12

Case: The Reagan Plan
Chapter 13
Chapter 14
Chapter 15
Chapter 16
Case: The Reagan Deficits
Chapter 17
Chapter 18
Final Examination

11 January
13, 18, 20 January
22, 25, 27 January
30 January,
1 February
1, 3 February
6, 8 February
8, 10 February
13, 15, 17, 20 February
22 February
24, 27 February
27 February,
1, 3, 6 March
6, 8 March
10, 13, 15 March
17 March
17, 20 March
22, 24 March
3, 5 April
5, 7, 10 April
12, 14 April
14, 17 April
19, 21 April
21, 24 April
26, 28 April
28 April, 1 May
8 May,
3:30 p.m.-6:30 p.m.
Assignments and tentative schedule for homework

Notes:
For all chapter assignments, hand in:
1. printouts from the exercise to show what you did and what the consequences were.
2. a one-page discussion of what you did and why it worked.

For all cases, hand in a three-page analysis responding to the issues discussed in class and in the case write-up.

Assignments:
1. Chapter 3
   a. Shock I and C so as to drive the interest rate down as far as possible.
   b. Due approximately 1/30/95.
2. Chapter 4
   a. Keep the savings rate the same in both periods, but change it in both periods to maximize the steady state value of C. With the original savings rate, change the depreciation rate to achieve a steady state consumption level as close as possible to the maximum achieved by changing the savings rate. Use F6, the table key, to identify consumption levels.
   b. Due approximately 2/3/95.
3. Case: Paul Volcker and the Federal Reserve
   a. Assignment to be given at the end of class discussion.
   b. Due approximately 2/13/95.
4. Chapter 7
   a. Shock I and NX, and change S so as to drive the exchange rate up as far as possible.
   b. Due approximately 2/24/95.
5. Chapter 9
   a. Change G and T to maximize Y in the IS analysis. Change P to maximize r in the LM analysis.
   b. Due approximately 3/8/95.
6. Chapter 10
   a. Shock I, C and M to maximize Y while keeping r≤7.5.
   b. Due approximately 3/13/95.
7. Chapter 11
   a. Set the change in nominal income to zero in all years. Explain the evolution of real output.
   b. Due approximately 3/20/95.
8. Case: The Reagan Plan
   a. Assignment to be given at the end of class discussion.
b. Due approximately 4/7/95.

9. Chapter 13
   a. Change G and T to drive e down as far as possible with floating exchange rates.
      Apply the same policies to the fixed rate regime.
   b. Due approximately 4/12/95.

10. Chapter 15
    a. Part 2 only: Change r to 6%, maintain C level as closely as possible to the original
       value of 26578, and derive new retirement age by setting wages equal to zero for periods to
       be added to the retirement period. Repeat exercise with r=2%, setting the wage equal to
       30000 for periods to be added to the working career. How sensitive is the time of retirement
to r? Why?
    b. Due approximately 4/19/95.

11. Case: The Reagan Deficits
    a. Assignment to be given at the end of class discussion.
    b. Due approximately 4/26/95.

12. 2001
    a. Explain the reasons for important policy choices and their consequences, in five
       pages or less.
    b. Print last page (standings).
    c. Record and present the following table.

|          | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | ...
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ΔM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T/Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G/Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>π</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔY/Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

    d. Due on 5/1/95.

13. Chapter 18
    a. Part 1 only; Play it sincerely. Explain why your optimal balance is so different from
       your actual balance. Then find the value of time that makes your actual behavior
       optimal.
    b. Due at final examination, 5/8/95.