

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

Spring 2019 — Syllabus

Section 2: Tuesday / Thursday: 8:30 – 9:50am

Section 3: Tuesday / Thursday: 10:30 – 11:50am

Section 4: Tuesday / Thursday: 1:30 – 2:50pm

Room: G101

Midterm exam: Wednesday May 1: 9:00-11:00am.

Final exam: Take home exam, available June 5 at 8:00am, due June 10 at noon.

Please read this syllabus carefully before the first class 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.

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Teaching Assistant: Claire Xue (qcxue@stanford.edu)

Office Hours – Tuesdays: 3-4pm in G104

Wednesdays: 3:30-4:30pm in M108 (exceptions: G105 on 4/10 and 4/17)

Canvas: The course syllabus, handouts, supplementary materials, and homework assignments and answers will be posted on Canvas.

Required Text: Charles I. Jones, *Macroeconomics*, 2017 (4th edition), W.W. Norton.

Course Reader: There is a digital course reader containing required supplementary readings. All readings are available on Canvas. Links to original sources are also available in the syllabus, but may have restricted access.

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 Budget 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 and group homework assignments.

If it will help your grade, we will use your final exam score in place of your midterm score in computing your overall grade for the course. However, note that the midterm is easier than the final. That is our goal. We 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 is NOT a group assignment, and your work must be entirely your own. The final will be posted to Canvas at 8:00am on June 5. The exam will be due no later than Monday June 10 at 12:00 noon. We expect the final exam to take 4–6 hours to complete, depending on your preparation. You must submit your final exam online using Canvas before the deadline. These dates and times cannot be changed, and no exceptions will be made.

Any re-grade requests must be made within 5 days after we return the exam to you. The request MUST be done in writing and returned to the instructor 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, we will re-grade the entire exam – not just the question you identified.

A good grade for class participation involves satisfactorily completing the assignments on time, attending class, presenting summaries of readings, participating in class discussions, and generally being a good citizen. At times, we 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. We 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. We 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 assignments. 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:

- **Attend.** If you miss more than two classes your grade may suffer. In accordance with Stanford GSB rules, you are required to notify us (ahead of time if possible) to indicate each class that is missed. *Please use [this form](#) to notify us of your absence.* (There is also a link to the form on the Canvas home page for the course.) You must remain in the same seat throughout the quarter.
- **Gadgets and gizmos.** No laptops or tablet computers may be used in class without the explicit permission of the instructors.
- **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.** We 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, 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 group assignments.** Four homework assignments will be posted on Canvas. You are required to turn in answers to all four assignments via Canvas when they are due (see the syllabus below for precise dates and times). *No late assignments will be accepted.* Failure to hand in an assignment will affect your class participation grade. Bound by the honor code, you are not permitted to look at solutions to assignments from previous years. Solutions to the assignments will be posted on Canvas shortly after the deadline. Assignments will be graded on a “check+ (3),” “check (2),” “check- (1),” basis. *We will drop your lowest assignment grade in computing your homework average.*
- **Assignment groups.** You are strongly encouraged to work in groups (containing at most 4 members), and *each group should submit a single PDF solution.* You will form groups in Canvas, and you are welcome to change groups across assignments. Groups may include students from different sections.
- **Take the exams.** Subject to the conditions described above. IMPORTANT: Exams will NOT be group assignments, and your work must be entirely your own.

Course Schedule and Outline

Note: Additional readings reflecting current macroeconomic developments may be added during the quarter; check the course web site regularly.

Introduction

April 4: *An Overview of Macroeconomics*
Jones, Chapters 1, 2, and 3.

The Long Run

[Assignment 1 available Friday April 5 at 8pm]

April 9: *Why are some countries richer than others?*
Jones, Chapter 4.
Amartya Sen, "[Quality of Life: India vs. China](#)" *New York Review of Books*, May 12, 2011.

April 11: *Why do economies grow? Inputs?*
Jones, Chapter 5.
"[No Need to Dig](#)" *The Economist*, November 2, 2013.

[Assignment 1 due Sunday April 14 at 11:59pm]

April 16: *Accounting for Growth*
Jones, Chapter 6 (Section 5 only).
Paul Krugman, "[The Myth of Asia's Miracle](#)," *Foreign Affairs*, Nov/Dec 1994.
Paul Romer, "[For Richer, For Poorer](#)" *Prospect*, January 27, 2010.
Thomas Friedman, "[Why Nations Fail](#)" *New York Times*, March 31, 2012.

[Assignment 2 available Wednesday April 17 at 8pm]

April 18: *The Economics of Ideas*
Jones, Chapter 6 (Sections 1 and 2).
Paul Romer, "[Economic Growth](#)" *The Concise Encyclopedia of Economics*, David R. Henderson, ed. Liberty Fund, 2007.
"[The Problem With Innovation: The Biggest Companies Are Hogging All the Gains](#)" *Wall Street Journal*, July 15, 2018.
"[Fast and Furious: Chinese private firms are embracing innovation](#)" *The Economist*, September 12, 2015.

April 23: *Innovation and Economic Growth*

Jones, Chapter 6 (Sections 3 through 8).

Eduardo Porter, "[America's Best Days May Be Behind It](#)" *New York Times*, January 19, 2016.

Eduardo Porter, "[Imagining a World Without Growth](#)" *New York Times*, December 1, 2015.

Greg Mankiw, "[One Economic Sickness, Five Diagnoses](#)" *New York Times*, June 17, 2016.

April 25: *Globalization and Trade*

Jones, Chapter 19.

Leonard E. Read, "[I, Pencil: My Family Tree as told to Leonard E. Read](#)" December 1958(!).

Alan Blinder, "[Five Big Truths About Trade](#)" *Wall Street Journal* April 21, 2016.

[Assignment 2 due Sunday, April 28 at 11:59pm]

April 30: *The Dismal Science: Unemployment and Inequality*

Jones, Chapter 7.

David Brooks, "[The Biggest Issue](#)" *New York Times*, July 29, 2008.

Matthew Yglesias, "[The Automation Myth](#)" *Vox.com*, July 27, 2015.

David Leonhardt, "[Our Broken Economy, in One Simple Chart](#)" *The New York Times*, August 7, 2017.

May 1: *** **Midterm Exam** ***

May 2: *The Dismal Science: Inflation in the Long Run*

Jones, Chapter 8.

Anatoly Kurmanaev, "[The Tragedy of Venezuela](#)" *Wall Street Journal*, May 24, 2018.

Chris Burniske, "[Cryptoasset Valuations](#)" *Medium*, September 24, 2017.

The Short Run

May 7: *Booms, Busts, and the IS Curve*

Jones, Chapters 9, 10, and 11.

[Assignment 3 available Wednesday May 8 at 8pm]

May 9: *Monetary Policy and the Phillips Curve*

Jones, Chapter 12. Also, Chapter 14, pp. 385–390.

May 14: *Aggregate Demand and Aggregate Supply*

Jones, Chapter 13 (Sections 1 through 5). Chapter 14, Section 2.

May 16: *Guest Lectures: John Taylor (8:30am) and Kevin Warsh (10:30am/1:30pm)*

John Taylor is the Mary and Robert Raymond Professor of Economics at Stanford University and the George P. Shultz Senior Fellow in Economics at the Hoover Institution. He will discuss current macroeconomic events, the global financial crisis, and policy responses. Please read his recent commentary below and come prepared with a question or two for Professor Taylor.

“[Monetary Policy Getting Back on Track](#), March 13, 2018.

His blog: <https://economicsonline.com/>

Kevin Warsh was a member of the Board of Governors of the Federal Reserve System from 2006 to 2011. He will discuss current macroeconomic events, the global financial crisis, and policy responses. Please read the following background essay and come prepared with a question or two for Mr. Warsh.

“[Bernanke’s Right Hand](#)” *The International Economy*, Spring 2011.

[Assignment 3 due Monday May 20 at 11:59pm]

May 21: *Stabilization Policy & Expectations*

Jones, Chapter 13 (Sections 6 and 7), rest of Chapter 14.

“[The Fed, a Decade After the Crisis, Is About to Embark on the Great Unwinding](#)” *The Wall Street Journal*, September 18, 2017.

[Assignment 4 available Wednesday May 22 at 8pm]

May 23: *The Global Financial Crisis in Light of the Great Depression*

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

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

“[Yes, Central Banks Can Create Inflation. Just Ask Argentina](#)” *The Wall Street Journal*, April 27, 2016.

May 28: *The Fiscal Problem of the 21st Century*

Jones, Chapter 18.

“[America’s Deficit: Confronting the Monster](#)” *The Economist*, November 18, 2010.

“[Budget Puzzle: You Fix the Budget](#)” *The New York Times*, November 13, 2010. *Please complete this simple exercise before class.*

“[Olivier Blanchard eyes ugly ‘end game’ for Japan on debt spiral](#)” *The Telegraph*, April 11, 2016.

[Assignment 4 due Wednesday May 29 at 11:59pm]

May 30: *Exchange Rates and the International Financial System*

Jones, Chapter 20.

“[What the German economic model can teach Emmanuel Macron](#)” *The Economist*, May 27, 2017.

“[Fight or Flight: China’s leaders face a menu of unappealing exchange rate options](#)” *The Economist*, January 16, 2016.

June 4: *Wrap-Up*

Jones, Chapter 21.