

ECN 413: ADVANCED HONORS MACROECONOMICS

SPRING 2021, SLN: 15851

Instructor Office Hours	Edward C. Prescott CPCOM 435C By appointment only, contact Richard.Laborin@asu.edu
Teaching Associate Office Hours Email	Matt Millington CPCOM 425A Tuesdays after class mmilling@asu.edu
Lecture Time	9:00am-10:15am TTH
Lecture Room	CPCOM 480
Web	Canvas through MyASU

COURSE DESCRIPTION

In this course, neoclassical growth theory is developed and then used to predict the consequences of alternative policies. We will analyze Japan's lost decade of growth. We will analyze why the value of the U.K. and U.S. stock market has varied so much relative to GDP in the post-war period. We will analyze why Americans, Australians, Chileans, and Japanese now work 15 percent more than Europeans and why Europeans work 20 less today than they did in the early 1970s. We will determine the consequence of what politicians label "stimulus plans."

We will discuss the last financial crisis. We will evaluate how well the U.S., European, Latin American, and Asian economies are doing. Much of this research came out of this course when I taught it here and previously at Chicago and Minnesota. Some came out of preparing talks that I delivered to audiences around the world.

An extended version of the theory will be used to address the issue of how to finance retirement and how much government debt there should be. These two questions are closely related. There are questions that have not been answered and need answering.

You will have to access web sites for economic statistics. You will have to develop proficiency in using Excel. This skill will increase the rental price of your time in both private and public organizations.

MOTIVATION FOR COURSE

My views are that for a society to be well governed it needs an educated citizenry. This means that people like you have to be able to predict the consequences of proposed policies. By the end of the course I hope and expect that you will be better than anyone in Washington and almost as good as the best at evaluating policies. America with better macroeconomic policies would be a much better place to be.

The Undergraduate Program of the W.P. Carey School of Business has established the following learning goals for its graduates:

- 1. Critical Thinking and Reasoning**
- 2. Communication**
- 3. Discipline-Specific Knowledge**
- 4. Ethical Awareness**
- 5. Global Awareness**

Items in bold have significant coverage in this course.

READINGS

Notes will be posted on Canvas. Some draft chapters of a text book being written by Stephen Parente will be used and will be posted on Canvas.

The paper “On the Needed Quantity of Government Debt” by Kathryn Birkeland and Edward C. Prescott will be used. We wrote this paper for this course. This work got attention.

Other readings will also be posted.

There is no textbook for the course as none exists that presents the growth model and business cycle theory adequately.

A number of readings for the course are in the *Quarterly Review* published by the Minneapolis Federal Reserve Bank. The *Quarterly Review* is designed to communicate scientific results to a broad audience. Indeed, when I write *Quarterly Review* articles, I have in mind people such as you, advanced undergraduate students in economics. I consider this activity an important part of my teaching. Go to the course web site for links to these and other readings.

ASSIGNMENTS AND EXAMS

There will be a midterm exam and a final exam. There also will be a number of graded homework assignments. Weights will be: final 30%, midterm 30%, graded homework assignments 40%. I assign bonus points when a student demonstrates an understanding of the material or poses a good question. I like it when a student (or group of students) figure something out and report(s) it well to the class. Learning to exposit material well will increase the rental price of your time in the market sector.

Students are permitted (and encouraged) to work on problem sets together but each student must prepare his or her answer independently. Copying from another student's answers is not allowed. You may be asked to explain your answer just to be sure that you did not copy someone else's answer. Late assignments will be penalized 20% for each class period that it is late.

Students will be selected to present their answer to homework problems in class. Be ready to go to the board. My education philosophy is that I am a successful instructor if you master the skills that are needed to evaluate macroeconomic policies. You will not be able to rely on memory in this course. There is a difference between memorizing results and being able to use a language to address macroeconomic questions and to communicate what you have found.

EXAM DATES

Midterm: Thursday, March 11, 2021

Final Exam: Thursday, April 29, 2021, 7:30am-9:20am

All requests for makeup exams must be in writing with documentation for the stated reason. Requests will be declined if the request is received after the exam and it was feasible to submit the request prior to the exam. If the reason is illness, a *statement* from a medical doctor is needed that you could not take the exam.

COMPUTER USE

Many of the assignments will require the use of a computer. There will be data analyses that require the use of a spreadsheet program such as Excel. You will use the statistics that you compute to restrict the model economies that you use to predict the consequences of macro policies. You will be doing what the best macroeconomists now do in order to build their economic intuition.

CANVAS

The course web page will provide links to any readings that can be found online and course documents such as the syllabus, course topics, and homeworks. As soon as articles and exercises for the course become available they will be posted to the web. In addition, any lecture notes used in class will be linked to the course web page.

TEACHING ASSOCIATE

Matt Millington is the teaching associate for the course. You are welcome to contact him for course-related questions. He can be reached directly to schedule time to discuss at mmilling@asu.edu or visit him during his office hours.

COURSE PLAN

Below I have listed topics that I now plan to cover. Depending on interest and what is happening, additions and deletion will be made. There is a lot more that I would like to cover. Additional exercises may be assigned. If so, they will be announced in class and posted on Canvas.

Course requirement: Micro theory in which concepts of utility maximization and profit maximization is a requirement. You should be able to differentiate simple functions to find the factors' marginal products given the production function and the marginal utilities given the utility function.

- 1. An Economy, its Gross National Product, and its Gross National Income**
- 2. Static General Equilibrium Model**
- 3. The Aggregate Production Function**
- 4. The Ricardian-Malthus Model**
- 5. The Solow Version of the Classical Growth Model**
- 6. The Overlapping Generation Growth Model and Financing Retirement**
- 7. The Neoclassical Growth Model**
- 8. Business Cycles and the Real Business Cycle Model**

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Disclaimer: Information contained within this syllabus is subject to change.