Economics 105  
Fall 2015  

Topics in Macroeconomic Theory

**Time and Location:** TuTh 4-5:45pm. Physical Sciences 136

**Instructor:** Carl Walsh  
Office Hours: Wednesday 11:30am-12:30pm, Thursday 9:00-10:00am or by appointment. Engineering 2 Building, room 467. Email: walshc@ucsc.edu.

**Course Website:** [http://people.ucsc.edu/~walshc/UCSC/105_f15/](http://people.ucsc.edu/~walshc/UCSC/105_f15/)  
Updated information, syllabus, assignments, and readings can be found on the website.

**Course Description:** The course will use the major economic events in the U.S. over the past fifty years to explore the impact of macroeconomic theory on economic policies and the impact of events on the development of macroeconomic theory. The course builds on the tools of macroeconomics covered in Economics 100B to explore the historical events – the Great Inflation, the Great Moderation, the Global Financial Crisis and the Great Recession – and the Nobel Prize winning economists – Milton Friedman, Robert Lucas, George Akerlof, Joe Stiglitz, John Nash, Tom Sargent, Finn Kydland, Ed Prescott, Dale Mortensen, Chris Pissarides -- who have shaped modern macroeconomic theory, macro policy, and our understanding of the macroeconomic phenomenon such as business cycles, unemployment and inflation. The focus of the class will be on discussing economic issues. Students are strongly encouraged to bring up current problems for discussion in class, as time permits.

**Recommended (optional) textbook:** Charles Jones, *Macroeconomics* 3th Edition, W.W. Norton. This book is being used for Economics 100B and can be purchased at the BayTree Bookstore if you do not have a copy already. Readings assigned from it will primarily be review in nature.

**Readings:** Additional material will be posted on the course website.

**Course assessment:** Problem sets, one Midterm (scheduled for Thursday Oct. 29), a research paper, class participation, a class presentation, and a final exam (to be held on Wed., Dec. 9, 12:00-3:00pm).

**Research paper:** The final paper is due December 8 by 5pm. A draft is due in class on Thursday, November 19. 20 minute presentations will be scheduled for Tuesday (Dec. 1) and Thursday (Dec. 3) of the last week of classes. **Guidelines for paper length:** 2500 words, 3000 max.

**Important dates:** Midterm: Thurs., October 29; Paper outlines due: Nov. 5; draft due in class Nov. 19, Student presentations: Tues-Thurs., Dec. 1 and 3, final paper due Dec. 8 by 5pm, final exam is Dec. 9, 12-3pm.

**Important information:** UC Santa Cruz is committed to creating an academic environment that supports its diverse student body. If you are a student with a disability who requires accommodations to achieve equal access in this course, please submit your Accommodation Authorization Letter from the Disability Resource Center (DRC) to me privately during my office hours or by appointment, preferably within the first two weeks of the quarter. At that time, I would also like us to discuss ways we can ensure your full participation in the course. I encourage all students who may benefit from learning more about DRC services to contact DRC by phone at 831-459-2089 or by email at drc@ucsc.edu.
Readings (Review readings denoted by R, required readings denoted by *)

Background/Review

R Charles Jones, Macroeconomics, 3rd ed. Norton, Part 3, the Short Run. Chapters 9, 11-13. There are a number of other good intermediate level macro textbooks that could substitute for these chapters of Jones.


The Great Inflation and the fall of Keynesianism: 1965-1980

* Time, Dec. 31, 1965, "The Economy: We are all Keynesians Now."

Expectations, the natural rate hypothesis, and the victory of Friedman

R Charles Jones, Macroeconomics, 3rd ed. Norton, Chapter 12, section 12.3.


Accounting for the Great Inflation


1980-2007: The Volcker disinflation, the Great Moderation, and the revival of (new) Keynesianism


The new Keynesian model


**Macroeconomic frictions: Unemployment**


**Macroeconomic frictions: Financial frictions**


**Implications for macroeconomics**


**Policy at the ZLB, QE policies, and exit strategies**
