

14.02: PRINCIPLES OF MACROECONOMICS

Fall 2022

What is a recession? What explains the evolution of the U.S. economy in 2020, 2021, and 2022? How and how did the pandemic, tax and spending policies, and monetary policies affect it? Why is inflation higher today than at any time in the last four decades? Why does the unemployment rate vary over time? Why is there unemployment at all? Why do exchange rates between currencies fluctuate? How do policies in one country affect other countries? Why do economies grow at different rates? Why has China's growth rate exceeded that of the U.S. for more than 30 years, and will such disparities continue? What explains movements in the stock market? These are some of the core questions of macroeconomics. If you are curious about the answers, then this is the course for you.

The course is organized around four major themes: the determinants of short-run economic fluctuations; the determinants of long-run growth; the investigation of government policies, including monetary policy, government spending, and exchange rate policy; and the analysis of key economic sectors, such as consumer spending, business investment, and financial markets.

FACULTY

Professor James Poterba (poterba@mit.edu)

TEACHING ASSISTANTS

Pedro Martinez Bruera (pmbruera@mit.edu)

Basil Halperin (basilh@mit.edu)

Jaeeun Seo (jaeeuns@mit.edu) **HEAD TA**

COURSE FORMAT

The course has two one-hour lectures (M-W) and one recitation (F). The lectures will be held in 34-101 on Mondays and Wednesdays at 2 PM. **Attendance is strongly encouraged**, but is not required. Two one-hour recitations will be held on Fridays in 32-123 from 1-2pm and in 6-120 from 2-3pm. There will be no Friday recitations on quiz weeks. During the first week of class, the Monday September 12 and Friday September 9 lecture and recitation will flip: there will be a lecture in 6-120 on Friday September 9 at 2pm, and a recitation on Monday September 12 in 34-101 at 2pm. **Lecture videos will be available on Canvas** for those with time conflicts or those who are interested in

re-watching the presentations. Please email Jaeun Seo (jaeuns@mit.edu) if you are experiencing issues with access to class videos.

OFFICE HOURS AND PIAZZA

Each of the three TA's will have **office hours** each week that are open to all students. There will be in-person office hours on Tuesday and Thursday afternoons, and a virtual office hour on Zoom on Thursday evening. Details can be found on Canvas. Professor Poterba is available by appointment. Please direct administrative questions regarding the course to the head TA.

There will be a **Piazza forum** for the class which can be accessed through Canvas. Please check whether the question you have in mind has already been asked. The TAs will try to “pin” the most relevant threads so as to make them more easily visible. Everyone is welcome to post about topics related to the class. Please try to answer questions if you can! This fosters interaction and active learning.

READINGS

The primary text for the course is the 8th edition of **Macroeconomics** by Olivier Blanchard. This textbook is available at the Coop to buy or to rent. There will often be additional reading material posted on Canvas. You are also encouraged to read current articles on macroeconomics in *The Economist*, *Wall Street Journal*, or *Financial Times* regularly during the semester to stay abreast of economic events, which we will periodically discuss in class.

EVALUATIONS: PROBLEM SETS AND QUIZZES

The course grade will be based on **nine problem sets** and **three quizzes**. Each quiz will count for 25% of the class grade; a combined problem set grade will account for the remaining 25% of the class grade. The dates of the quizzes are:

- **First Quiz:** 10/6/2022. 7.30-9.00PM.
- **Second Quiz:** 11/8/2022. 7.30-9.00PM.
- **Third Quiz:** 12/8/2022. 7.30-9.00PM.

If you have a documented conflict that won't allow you to take one or more of these quizzes, please email **Jaeun Seo** (jaeuns@mit.edu) **no later than Friday, September 9**. If you become ill or injured, and are thus unable to take a quiz, you must notify both the Head TA and Student Support Services (S³) at the first indication of this situation.

Problem sets are mandatory. They will be posted on Fridays and must be submitted by **1pm on the due date**, which is usually Friday one week later but on weeks with Friday holidays may be earlier in the week. Due dates will be posted on Canvas. An overall problem set grade will be determined by dropping the lowest-scoring problem set. This policy is designed to provide some flexibility in managing commitments such as job interviews that may cause conflicts and make it hard to devote sufficient time to some assignments. Any requests for excused waivers for problem sets must be submitted to the Head TA **at least 1 week prior to the problem set deadline**. In the event that health-related issues make it impossible to complete a problem set on time, please notify the Head TA and Student Support Services (S³) as soon as there is a chance that an extension may be needed.

The course will use **Gradescope** for problem set submission and grading. Problem sets will not be accepted in any other format. Please check that your automatic enrollment through Canvas was successful, and watch this [video](#) if you have never used Gradescope before. Regrade requests may be submitted for up to 48 hours (2 days) after problem set grades are posted, but not after that. Please contact the Head TA if you experience any difficulties with the Gradescope platform or with problem set submissions otherwise.

GRADING

Problem sets and quizzes will be graded on a **100-point scale**, the weighted average of which will be converted to a class letter grade following this **tentative rubric**:

- 85-100: A range
- 75-85: B-range
- 65-75: C-range
- 55-65: D-range
- below 55: F

Cutoffs will only be revised downwards if the difficulty of the quizzes and problem sets turns out to be too high. Average numeric grades will not be rounded up to the nearest integer for the purposes of giving a letter grade; an 84.75 is a B-range grade.

COLLABORATION POLICY

Collaboration on problem sets is permitted and encouraged, but please write up answers separately and upload them separately on Gradescope. **Collaboration on quizzes is strictly prohibited.** Any such activity will be considered a breach of academic

honesty and will be addressed according to the latest MIT Guidelines on Academic Honesty, which are given in detail in MIT's Policies and Procedures.

TOPICS TO BE COVERED (tentative list)

Before Quiz 1: Economic Measurement (Chapter 2), Goods and Financial Markets (Chapters 3 & 4), Short Run Fluctuations and the IS-LM Model (Chapters 5 & 6)

Between Quiz 1 and Quiz 2: Labor Markets (Chapter 7), The Phillips Curve, Aggregate Supply, and Aggregate Demand (Chapters 8 & 9), Theory of Economic Growth (Chapters 10-13),

After Quiz 2: Expectations, Interest Rates, and the Stock Market (Chapter 14), Consumption and Investment (Chapter 15), Policy Analysis (Chapter 16). Exchange Rates and the Open Economy (Chapters 17-20), Fiscal Policy (Chapter 22)

REPORTING BIAS-RELATED OR OTHER INCIDENTS

The Economics Department fully endorses the Institute Discrimination and Harassment Response Office (IDHR) reporting process for any bias-related incident. We encourage students to use this valuable resource if needed for any reason. This process is useful for addressing any issues that may arise with professors, teaching assistants, or other students in this course. If you've had a negative experience and aren't sure if IDHR is the place to go, they can also help you find the right office at MIT to receive support. The department values such reports as important to our pursuit of equitable and inclusive treatment for all students, faculty, and staff.

<https://idhr.mit.edu/submitincidentreport>

ACCESSIBILITY AND SUPPORT

The Economics Department values an inclusive environment. If you need a disability accommodation to access this course, please communicate Jaeeun Seo (jaeeuns@mit.edu) by Friday, September 9, and arrange a meeting so that the Professor Poterba and the course staff can understand your needs and implement an approved accommodations. If you have not yet been approved for accommodations, please contact Student Disability Services (SDS) at [<uaap-sds@mit.edu>](mailto:uaap-sds@mit.edu) to learn about their procedures. Please reach out to SDS early in the term to allow sufficient time for implementation of appropriate services or accommodations.