

Econ 402A  
Prof. Hopkins

**Macro Senior Seminar  
Syllabus**

Fall 2005

**Class Meeting Times:**

11:00 PM – 12:15 PM MW

Glatfelter Hall – Room 104

**Professor Contact Info:**

**Office:** Glatfelter Hall – 108A

**Phone:** 337-6677

**Email:** mhopkins@gettysburg.edu

**Course Description:**

This is a seminar covering a selection of topics from the recent macroeconomics literature. The bulk of the class will involve in-class presentations of research papers in the literature. Although I will start the semester by presenting some early papers exploring impact of market failures in macroeconomics, for the most part the nature of the subjects you will explore in this class will be up to you. The goal is to work towards the successful completion and presentation of your own research.

**Course Goals:**

This seminar has three goals. The first is to complement your previous economics classes, which presented a wide range of material at an introductory level, by studying in greater detail a narrow set of advanced macroeconomic topics. This should help you to bridge the economic theory found in undergraduate textbooks with the (often very different looking) economics practiced by professional economists out in the real world. The second goal is to provide a forum for you to write a serious economics research paper, a capstone project in which you can employ the skills and knowledge you have learned in your previous courses to pursue a topic of your own choosing. The third and final goal is to help you develop further the modeling skills and statistical techniques that will help you to read professional economics writing, perform your own research and, later, to compete successfully in the job market and other future endeavors.

**Expectations:**

As the name implies, this course is a *seminar*, which means that the focus is on individual learning through group interaction. My role is to facilitate your learning process by staking out a path through a very wide and difficult body of literature, and then leading you as a group down that path. Participation is mandatory in this environment, and much of the discussion will be built on group presentations and discussions of the papers on the reading list.

**Readings:**

Since one of the goals of this class is to help bridge the worlds of undergraduate economics texts and the economics practiced by professionals, most of the readings from this class will be articles taken from economics journals. Some will be photocopied while others will be available on-line. We will most likely be making extensive use of the *Journal of Economic Perspectives*, which you can find in the library (and on-line through [www.jstor.org](http://www.jstor.org) for older issues).

**Assignments & Assessment**

The primary goal of this class is to guide you in writing an original research paper, and assessment of this paper will serve as the primary basis for your grade in this class. (This paper will be due at

the end of the course, in lieu of a final exam). Nobel laureate James Tobin has instructed us on the value of diversification in reducing risk, however, so to help reduce your grade risk, I will also factor homework assignments and class participation into your grade. The distribution of weights is as follows:

- Research paper 70%
- Homework 15%
- Class participation 15%

### **The Research Paper**

Contrary to the common perception of undergraduates, 95% of the work involved in writing a good research paper has nothing to do with writing it. While writing a draft early and then revising and editing it over time is the key to good *writing style*, the key to a good *paper* itself (in terms of content) is a lengthy process of reading, asking questions, contemplating how to answer those questions, trying to answering them for yourself, reflecting on your answers, and then – finally – writing a paper that summarizes your work.

In terms of basic logistical requirements, I will expect a paper of not less than 10 and not more than 20 pages (double-spaced). That total may (and should) include charts, graphs, and tables. I will talk more about the structure of the paper later in the course, but as a rough guideline to the process ahead, the paper should begin with a survey of the literature on a topic of your choosing and then go on to assess the following:

- 1) What do you think are the interesting questions involved?
- 2) How well have these been answered? What do other people think?
- 3) What do you think? Do you agree with others' opinions? Why / why not?
- 4) As an economic theorist, how would you go about answering this question?
- 5) What data is available to address the question?
- 6) What statistical techniques can be performed on this data to answer the question?
- 7) Present some summary description of the data and the results of your analysis – explain carefully your interpretation of the results.
- 8) Conclude your paper by re-stating your question, summarizing your results, and then “answering” your question.

As I said, a good paper takes time, and should be written throughout the course. Since procrastination is a given in student life, there will be a series of deadlines throughout the course for submission of the material. Meeting these deadlines (appropriately!) will represent  $\frac{1}{4}$  of your paper grade. They are:

- September 7 Submit topic proposal, with suggested bibliography & data
- September 26 Submit progress report #1 (1 page paper outline & literature review)
- October 24 Submit progress report #2 (4 page paper outline w/ results if possible)
- November 14 Submit progress report #3 (4 page paper outline w/ early results)
- December 8–13 Submit final paper

Note: you may turn in your paper up until the first day of final exams, to better allow you to manage your time in the last week. I urge you to resist the temptation to procrastinate, however!

### **Course Outline:**

August 30 – September 21	Lectures (i.e. my presentations)
September 26 – November 9	Literature Presentations
November 14 – December 9	Paper Presentations

### **Topics Outline: (August 30 – September 21): List of Possible Topics**

#### 1) The Efficiency of Competitive Markets

- a. Definition of CE, PO and the First & Second Welfare Theorems
- b. Arrow-Debreu equilibrium and “complete contracting” in financial markets
- c. Social interactions with and without markets

#### 2) Market Limitations and Market Failures, and Institutions

- a. What are institutions? What is their role? How/why do institutions arise?
- b. Some Limitations of Markets
  - i. Caveat 1: Distribution & Social Justice
  - ii. Caveat 2: Incomplete Contracting (contingencies & enforcement problems)
- c. Market Failures
  - i. Caveat 3: Externalities / Missing Markets
  - ii. Caveat 3: Transaction Costs (Asymmetric Information)
  - iii. Caveat 4: Non-convexities (Increasing Returns) and Multiple Equilibria

#### 3) Macroeconomic Dynamics

- a. Growth Theory (Dynamics of Firm Investment Decisions)
- b. Consumption (Dynamics of Household Saving Decisions)

#### 4) Macroeconometrics

- a. Specification and Variable Selection: the Bias vs. Variance Trade-off
- b. Endogeneity and Instrumental Variables
- c. Time Series and Vector Autoregressions