Why do economies grow during some periods, as in the U.S. for the last eight years, but contract at other times, as during the “Great Recession” of 2008-2009? What explains the coordinated expansion of most global economies in 2018? What explains stock market movements, and how do they relate to other aspects of economic activity? Why does the unemployment rate vary over time? Why is there unemployment at all? Why do prices rise at different rates at different times? Why has China’s growth rate exceeded that of the U.S. for the last two decades? Why do exchange rates between currencies vary over time, and what causes them to fluctuate? How are economic growth and inequality connected? How can government policies, particularly monetary and fiscal policies, affect macroeconomic outcomes?

These are some of the core questions of macroeconomics that we will investigate in this course. The course is organized in four parts: economic measurement and the determinants of short-run economic fluctuations; the analysis of key economic sectors, such as consumer spending, business investment, and the government sector; the theory of economic growth; and the international economy.

FACULTY MEMBER:

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TEACHING ASSISTANTS:

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LECTURES: There are two one-hour lectures by Professor Poterba each week, on Mondays and Wednesdays at 2 PM in 32-123. Professor Poterba’s lectures will be videotaped and posted on line as soon as possible after each lecture. The lectures may be found at

https://video.odl.mit.edu/collections/b7e0066815af4ff0854575e7eb1cc724/
NO-LECTURE DAY: There will be NO LECTURE on Monday April 23. A video lecture will be posted at the end of the previous week.

RECITATIONS: There are two options for one-hour recitations: Thursday afternoon **4-5pm in 3-442**, and Friday afternoon **2-3pm in 4-270**. The recitations will discuss problems like those on the problem sets, review material from the lectures, and present some additional material that goes beyond the lectures.

OFFICE HOURS: There will be two office hours staffed by TAs each week, one on Thursday evening and one on Friday afternoon. The locations of the office hours will be posted on Stellar as soon as that information is available. Additional office hours before exams will be posted on the Stellar in the “staff list” page. Professor Poterba will hold office hours on Wednesday afternoons from 1-1:45pm in **E52-444** but please email in advance to confirm an appointment. Please direct any administrative questions regarding the course to head TA Alex He (hexi0902@gmail.com)

READINGS: The primary text for the course is the 7th edition of *Macroeconomics*, by Olivier Blanchard. This edition is substantially different from earlier editions. This book is widely available; several copies will be on reserve at Dewey Library. For some classes there will be additional reading material posted on the 14.02 Stellar website. It is very helpful to read about current macroeconomic developments in The Economist, the Financial Times, the Wall Street Journal, and the New York Times during the semester to stay abreast of current economic events.

PROBLEM SETS, MID-TERMS, & FINAL EXAM: Course grades will be based on **ten problem sets**, **two mid-term exams**, and a **final exam**. The final exam will count for 30% of the grade; each mid-term will count for 25%; a problem set grade, determined as the average of the nine best problem set scores, will account for the remaining 20%. The final exam will primarily cover material from after second mid-term. Each mid-term will last for 90 minutes and will take place in Walker Memorial, 50-340.

The dates and times for the exams (both to be held in 50-340) are as follows:

**Wednesday, February 28 7:30pm**        **Wednesday, April 11 7:30pm**

Problem sets are due on the following dates:

**February 16 and 23; March 9, 16, and 23; April 6, 20, 27; May 4 and 11**
Problem sets will be posted every Thursday and they will be due eight days later on Friday at noon. Problem set assignments must be in PDF format and submitted on Gradescope (gradescope.com). Pictures of very clear handwritten solutions, or solutions compiled in LATEX, Lyx, Scientific Workplace, or Scientific Word, are acceptable. Instructions on how to submit problem sets on Gradescope can be found here. Problem set answer keys will be posted on the Stellar platform.

The 14.02 Stellar website will include postings of past exams and other announcements. The 14.02-students public mailing list will be used for important announcements and to distribute supplemental readings that may be of interest. Lecture notes, past mid-term and final exams, and problem set assignments can be found on the “Materials” page of the 14.02 Stellar website.

The course will rely on Piazza for interactive questions and comments. Please post questions about problem sets publicly on the Piazza site, so that everyone in the class can learn from the resulting exchange. Please use Piazza as well to ask questions and interact with other students. The course staff will try to monitor the website and to ensure that questions are addressed.

There will be no problem sets due, and no recitation meetings, on Friday March 2 or Friday April 13; these are the Fridays following mid-term exams.

**COLLABORATION POLICY:** Collaboration on problem sets is permitted; please write up answers separately. Collaboration on mid-term exams and on the final exam is strictly prohibited. Any such activity will be considered a breach of academic honesty and will be handled following the procedures in the latest MIT Guidelines on Academic Honesty, which are given in detail in MIT's Policies and Procedures.

**GRADE DISTRIBUTION:** At least 50% of the course grades will be A- or better and at least 90% will be B- or better.

**TOPICS TO BE COVERED ON EACH ASSESSMENT (Subject to Revision):**

Before first mid-term exam: Chapters 1-5

Between first and second mid-term exams: Chapters 6-13

After second mid-term exam: Chapters 14-20