

Macroeconomics
Econ 311
Spring, 2026
Christiano
5/6/26

Syllabus

1. General Information.

- Lectures are Tu,Th 2:00-3:20, Tech Institute, Room 2.
- My office is 3455, Kellogg Global Hub (KGH); Email: l-christiano@northwestern.edu. Office hours: Tuesday, 3:40-5:40, or by appointment.
- Textbook: Macroeconomics, Olivier Blanchard, 9th edition, Pearson
- TAs: there are two TAs, and their office hours are held in KGH, 2211 Campus Drive.
 - Andrea Ferrara, email: andrea Ferrara2025@u.northwestern.edu, office hours: Monday, 5-7pm, KGH 3411.
 - Siye Bae, E-mail: siyebae2028@u.northwestern.edu, office hours: Thursday, 4-6pm in KGH 3496.
- Students are expected to attend the weekly 50 minute discussion section they signed up for. In case you have to miss part of the section, please get the notes from someone else.
- Student study groups: please form study groups of roughly 5 students. The weekly homeworks will be turned in to canvas. In practice discussions within the group also help you to study the material in the course.
- Homeworks: When a group has completed a homework, each member of the group should sign it, indicating (on the honor code) that he/she takes responsibility for each question. By 'responsibility' I mean that you fully understand (and can defend) the answers. The first homework will be brief and is due on Monday, April 6 (you will be able to find it in 'Assignments' in Canvas). If you are having a problem joining a homework group, let a TA know and he/she can allocate you to a group. Obviously, the groups have to be formed quickly. In the case of the homework due next Monday, you can do it on your own, if necessary. Completed homeworks can be submitted to Canvas on Mondays by 3pm.
- The midterm will be (closed book, no materials) May 7. The final exam is May 28. Both exams will be given at the time of the lecture, in the lecture room.
- Grades: based on the midterm (40%), final (50%) and weekly homeworks (10%). Homeworks are due at 3pm on Monday. Please email them by that time to your TA.

- A key part of macroeconomics is data. Never before has data been so easily available.
 - A large data base that is very user-friendly, which focuses primarily on the US but increasingly also covers many other countries may be found at <https://fred.stlouisfed.org/>
 - A large, user-friendly international data set, <https://ourworldindata.org/>

2. Goals.

We will develop a simple framework for thinking about the determinants of variables like aggregate employment, unemployment, investment, consumption, interest rates, inflation, exchange rates and the trade balance (net exports). The framework is used to address questions such as: what were the sources of financial turmoil in 2007 and 2008 and by what mechanisms did that turmoil affect economic activity; how do bursts of government spending (e.g., in the Great Recession of 2009) and transfer payments (during Covid) affect the economy; what determines inflation and how might ‘de-anchoring’ cause a central bank to lose control of inflation (as people were afraid would happen after 2021); why, at least until recently, have foreigners had such a strong appetite for safe (low-yield) US financial assets and what impact has that had on the US economy. We will not give definitive answers to these types of questions. However, we will provide a framework for thinking about these questions and for reviewing the various sides in the relevant discussions.

3. Course Content

The course develops a view of the economy as the outcome of an interplay between goods, labor and financial markets. This view is captured in what we ultimately call the IS-LM-PC model. The first building block for that model is the Keynesian Cross Model (Chapter 3). That is an interesting model in its own right, and can be used to think about important economic events, like the Great Recession that gripped the US and large parts of the rest of the world starting in 2008. It can also be used to explain the rationale behind fiscal policies that were used to fight that recession, as well as the Covid recession. Still, the Keynesian Cross Model is not sophisticated enough to handle everything we are interested in. For example, it abstracts from monetary and financial markets (see Chapter 4, especially sections 4.1 and 4.2). As a result, we cannot discuss the rationale for the US central bank’s decision to vigorously drive down interest rates during the Great Recession, as well as during Covid. So, the next step is to construct the IS-LM model, which combines the Keynesian Cross Model (that model will end up in the IS part of the IS-LM model) with a model of the money market (that’s the LM part of the model). Even though the IS-LM model is not our final model, it is nevertheless also an interesting model in its own right (Chapter 5). We will use it to discuss the risks an economy is exposed to when the interest rate falls close to zero, as it did twice in the past two decades.

The IS-LM model abstracts from changes in the price level. We need to bring in the determinants of wages to get a handle on prices and inflation (Chapter 7). This will result in the IS-LM-PC model, our model of the ‘medium run’. This model integrates the Phillips Curve (PC) into the IS-LM model and is useful for a variety of questions, including the causes of the Great Depression in the 1930s and various current debates about monetary and fiscal policy.

The IS-LM-PC model is a core model in macroeconomics. It is useful for understanding a wide range of macroeconomic questions. But, it has the shortcoming that it abstracts from the foreign sector. The effects of tariffs are an important topic, but to discuss this we need to think about the US economy as part of the world economy. We will cover parts of Chapters 17 to 20 at the end of the course. We will review some basic facts about the world economy, such as the huge imbalances associated with the enormous and continuing US trade deficits.

Schedule

The material in this course is necessarily cumulative. We start out simple and build up to a more and more comprehensive view of the economy. The following summarizes the sections in the book that we will be cover in the midterm and the final. It is not possible to predict in advance precisely which material we will have covered before the midterm. I will revise this syllabus as we move along to make sure it is up to date. To prepare for the exams, be sure to review the lecture notes and use the book to clarify those notes.

The first lecture provides an overview of recent US data. It explains some recent controversies related to the Great Recession and shows how data can be used to shed light on those controversies. Chapter 1 in the book is useful for this.

The lectures before the midterm will cover National Income Accounting (this will mainly be reviewed in the first TA sessions), Chapter 3 (Keynesian Cross model), Chapter 4 (especially sections 4.1 and 4.2, financial markets) and Chapter 5 (IS-LM model). We will also have covered Chapters 6 (I will only do a light version of chapter 6, and will focus on figures 6-5, 6-6 and 6-9 and the underlying intuition, as well as those figures with an upward-sloped LM curve) and no part of 7. The midterm will cover lectures up to the material in 4/30 lecture, not including anything about the supply side (that is, only the first three slides of 4/30 lecture will be included). On May 5 we discussed the labor market and derived the Phillips curve (Chapter 9-2).

Exactly what material we cover after the midterm is still somewhat open. A plan is to study the material concerning the US economy since 2008, which is reviewed in Chapter 9. We may then take a few baby steps towards integrating the open economy into the picture (for a more thorough treatment, see Econ 362). We’ll cover chapter 18, and the parts of chapter 19 that do not deal with the J -curve and the Marshall-Lerner condition, two things you will definitely

not be required to know for the final. Finally, we may cover parts of the open economy material in Chapter 20.