SYLLABUS

INTERMEDIATE MACROECONOMIC THEORY

ECON 303 SPRING 2011

Rien ne sert de courir; il faut partir à point. Jean de La Fontaine

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Jorge Soares
Office: Purnell Hall room 315
E-mail: jsoares@udel.edu
Phone: 831-1914
Webpage: http://udel.edu/~jsoares/

Tuesday and Thursday
Section 12: 2:00PM - 3:15PM
Purnell 331

Please contact me by e-mail using your UD e-mail account, otherwise your e-mails might end-up in my spam folder. (E-mail etiquette)

I reserve the right to modify this syllabus as needed during the semester.
TEXTS & RESOURCES


**Web Related:** Companion Web Site

I will post all Powerpoint slides used in class, notes and solutions to the assignments and some exercises from the book on the course's Sakai page. Access this page and try to download some of the material available. You should also make sure that any messages in Sakai are forwarded to your regular e-mail address. To do this you need to go to the message folder, in the menu, choose settings and choose "yes" by "Auto Forward Messages."

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COURSE DESCRIPTION

This course intends to provide extended coverage of macroeconomic theory at an intermediate level. The focus will be on developing a solid understanding of the key concepts in macroeconomics and theories for thinking about the determination of macroeconomic variables and grasping the relationships among them.

The course will include a more comprehensive and deeper coverage of some of the theoretical issues familiar from “Introduction to Macroeconomics” and models that you might have seen previously in your economics courses. The goal is to achieve a deeper theoretical understanding of the interactions and interdependencies between agents, firms and the government and how they affect the performance of an economy.

The understanding of the behavior of the basic economic aggregates is of crucial importance due to the guidance it can give us in interpreting macroeconomic data and in analyzing alternative policy interventions and their desirability.

We start by learning some fundamental macroeconomic concepts, and we then introduce the economic tools that economists have been using to understand the macroeconomic phenomena like growth, business cycles, inflation, unemployment, etc.
We focus our analysis on the short run aspects of the economy with a glimpse at long-run phenomena.

We look at fluctuations of a more temporary nature, the "business cycles." The understanding of these phenomena is of great importance as the effects of depressions or even recessions on the standard of living of the population are well known.

We also study the tendency of most economies to grow in a permanent and consistent way and why the growth patterns differ across time and across countries.

The structure of the course will follow the textbook closely with regard to sequence and treatment of the topics. You should read the relevant chapters carefully but a thorough understanding of the material covered in class is necessary to pass the course.

COURSE REQUIREMENTS

You will be evaluated on your understanding of the material covered in class and in the required readings.

The course evaluation will consist of a series of online quizzes, homework assignments, two midterms and a final exam. Exams, assignments and quizzes cover material presented in class, course readings, handouts, exercises and practice problems.

ASSIGNMENTS

I will assign problem sets at the end of each major section. There will be eight problem sets.

The problem sets mimic the examinations: the first part consists of a set of multiple choice questions (60% of the assignment grade) and the second part consists of a set of essay questions (40% of the assignment grade).

The multiple choice questions are taken online in Sakai and can be found in the Tests & Quizzes section on the course's site.
You should take several hours to complete the problem sets. The answers to the essay questions should be legible, neat, organized and stapled. The ability to communicate is an important skill, and I expect you to present your answers in a precise, logical and easy-to-follow (read and understand) manner. You will be graded on the presentation and comprehensibility of your answers as well as on their correctness.

Completed problem sets are to be handed in at the beginning of lecture on the due date. Late homework assignments will not be accepted and will receive a grade of zero and illegible problem sets will be severely discounted.

I will provide partial answers to all problem sets on Sakai.

The lowest assignment grade will be dropped when determining the overall homework grade.

The objective of the assignments is to give you practice in mastering and applying the course material. I strongly encourage you to study for exams and collaborate on quizzes and homework assignments with others. In general, students who form study groups generally do better on exams than do students who work alone. However, if you do work in a study group, you should be prepared for your study group meetings and spend some time trying to solve each problem beforehand.

Although you are encouraged to work with others, you must turn in your own individual solutions to each assignment.

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EXAMS

All exams are closed-book.

The first midterm will be held Tuesday March 15th and Thursday March 17th (tentative dates) in class and will probably focus on "Measurement of the Economic Activity" (Chapter 2) and "Productivity, Output and Unemployment" (Chapter 3) and the second midterm will be held Tuesday April 19th and Thursday April 21st (tentative dates) in class and will probably focus on "Goods Market Equilibrium" (Chapter 4). The final will be at a date, time and location TBA by the University (Check the link: http://primus.nss.udel.edu/FinalExams/menu.action). The final exam will be scheduled at a special time during final exam week as it is a 2.5 hours examination. Please, do not commit to travel plans before learning the scheduled final exam date for this course.
If you feel that you may need an accommodation based on the impact of a disability please contact the Disability Support Service (DSS) office, 413 Academy St., Room 165, 831-3670, 831-4643 or TDD 831-4563, to have the disability documented and reasonable accommodations coordinated.

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GRADING

The final grade for the course will be a weighted average of the assignments' grades (20%), midterms' grades (20% for the lowest and 25% for the highest), and the final's grade (35%).

Attendance and class participation will also be taken into account and may change a grade near a cutoff. Your class attendance grade will be the percentage of classes you attend.

Coming to class late or leaving early is discourteous to the lecturer and disruptive to the class. Please show consideration and arrive on time. I reserve the right to count late arrivals as an absence or to require additional work from students who arrive late.

I grade the exams very carefully, however, errors in grading can occur. Also there can be errors in recording or adding grade scores. If you believe that a grading mistake has been made on your examination, you may submit a request for a grade revision within one week of the time when the examination was returned to you. The request should enclose the examination (without any additional marks) and a detailed letter specifying your objection. If the request is accepted, the entire examination might be subject to re-grading.

No additional work can be done to change your course grade.

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OUTLINE (TENTATIVE)

1. Introducing Macroeconomics
2. Measurement of the Economic Activity, an Overview
   2.1. National Income Accounting 2.1-2.3
   2.2. Gross Domestic Product 2.2
   2.3. Saving and Wealth 2.3
2.4. Price indexes, Inflation, Interest Rate 2.4 - 2.5

3. Productivity, Output and Unemployment
   3.1. The Production Function: 3.1
   3.2. Labor Demand 3.2
   3.3. Labor Supply and Leisure: 3.3
   3.4. Labor Market Equilibrium: 3.4
   3.5. Unemployment: 3.5

4. Consumption and Savings
   4.1. Determinants of Consumption and Savings: 4.1
   4.2. Savings and Income: The life-Cycle Model 4.1 and 4.A

5. Investment and Goods Market Equilibrium
   5.1. Investment 4.2
   5.2. Goods Market Equilibrium 4.3

6. Money and Inflation
   6.1. Money Supply 7.1
   6.2. The Demand for Money 7.2-7.3
   6.3. The Asset Market Equilibrium 7.4
   6.4. Inflation 7.5

   7.1. The FE Line: Labor Market Equilibrium 9.1
   7.2. The IS Curve: Goods Market Equilibrium 9.2
   7.3. The LM Curve: Asset Market Equilibrium 9.3
   7.4. General Equilibrium FE-IS-LM 9.4

8. The Classical Model 10.1
   8.1. Monetary and Fiscal Policy

9. The Keynesian model
   9.1. Price Rigidity 11.2
   9.2. Price Adjustment and Equilibrium 9.5
   9.3. Monetary and Fiscal Policy 10.2

10. Business Cycles Theories
    10.1. Classical Business Cycles Theories
    10.2. Keynesian Business Cycles Theories 11.3
    10.3. Macroeconomic Stabilization 11.4

The following sections will be covered if time allows.

11. Economic Growth
    11.1. Sources of Economic Growth or Growth Accounting: 6.1
    11.2. The Theory of Economic Growth: The Solow Growth Model 6.2
PREREQUISITES AND ADVICE

PREREQUISITES:

ECON300 (Intermediate Microeconomic Theory) or ECON301 (Quantitative Microeconomic Theory)

I assume that you are comfortable with high school algebra, understand functional relationships, and, most importantly, can interpret graphs. You can review some of this material in the textbook and on some notes that are available in the course's website.

ADVICE:

I strongly advise you to read "study tips for economic courses," a summary prepared by the learning center from the University of Texas at Austin (download it from the courses's Sakai site).

Attendance in class is expected and strongly advisable as you are responsible for all the material presented in class. The structure of the course will follow the textbook closely with regard to sequence and treatment of the topics, but some material might be covered in more depth in class, and occasionally some new material might be presented.

Class participation is important. You should, therefore, stay up to date on the reading. You should read the assigned material before the relevant lecture and come to class prepared to ask questions, exchange ideas and analyze critically the material being presented. I expect students to show that they have read and thought about the texts and ideas we are discussing.
If you do not ask a question, you do not get an answer, so ask the questions which will help make things clear for you. It is usually easier to ask during lectures, but, if you remember something at home, please do not hesitate to e-mail me or come to my office hours. In some cases, I might also send you an e-mail with a better answer to a question you asked in class. Remember that I am here to help you learn.

I will make the lecture slides available online, but they are not meant to be self-contained or substitute for lecture. Hence, it is extremely important that you take notes in class to complement that material. When you take notes, do not just write down what is on the board, the information I convey verbally is often essential to fully understand the concepts.

I recommend that after class you do the reading more carefully, review your class notes and work on the end-of-chapter problems in the textbook. It may be helpful to take notes as you read.

Learning economics requires that you work out problems in addition to doing the assigned readings and attending lectures. Moreover, the questions on the exams will be similar to the homework assignments and end-of-chapter questions. So when you’re studying for an exam, review the solutions to problems and previous exams.

The material in the course is cumulative, so avoid falling behind early in the semester. Please ask any questions you might have before you get lost. You may ask your questions in class, in my office or by e-mail. I will make every effort to answer clearly all questions asked.

Remember that if you are not familiar with the material, learning will take time and can be difficult at times. Try not to become discouraged, and do not underestimate your ability to master the material.

COURSE POLICIES

POLICY ON ACADEMIC HONESTY:

The faculty of the Department of Economics are strongly committed to upholding the University policy on academic honesty. You are responsible for knowing and abiding by this policy. Details of the policy are stated in the Official Student Handbook in the Code of Conduct, Section I, Academic Honesty. It can be found online at
It will apply to every quiz, examination, and assignment in the course. Violations will not be tolerated.

**GRADE 'I' POLICY:**

The grade 'I' will be assigned only under the following exceptional circumstances:

- The final exam is missed with an accepted excuse for the absence (see below). In this case, the final exam must be made up during the first two weeks of the following semester.

- Due to an extended illness or other "extraordinary circumstance," with appropriate documentation, the student is unable to participate in class for an extended period. In this case, arrangements must be made to make up the missed portion of the course prior to the end of the following semester.

**DROPPING THE COURSE:**

I will strictly enforce the drop deadlines and will not sign any drop forms after the first drop deadline. This means that you will not be given permission to drop the course after the deadline, and you will either have to complete the course or receive an "F" for the course at the end of the term.

**POLICY ON MISSED QUIZZES OR EXAMS:**

To be fair to all students, the following exam policies will be in place.

It is your responsibility to make sure that you can take the exams on their scheduled dates and that you submit the online quizzes and other homework before the corresponding deadline. I will not accept late submissions and I will not reschedule an exam unless the situation preventing you from meeting the deadline or taking the exam is considered an "extraordinary circumstance."

It is important to understand that illnesses and difficult or distressing life events do occur, and it is part of life to have to manage them and continue with work or study. Therefore you must realize that such difficulties are not accepted in mitigation for a student's poor performance in
assessment activities, and only very exceptionally will be accepted as "extraordinary circumstances."

The term "extraordinary circumstance" describes events which cause exceptional interference, and which are over and above the normal difficulties experienced in life. Examples of such events are a sudden and severe illness preventing attendance at an examination, or adversely affecting performance at an examination, or preventing work from being submitted by the deadline set.

Circumstances which would not be acceptable are those where a student could reasonably have avoided the situation, or acted to limit the impact of the circumstances. Therefore the following are examples of circumstances which would not fall within the definition of "extraordinary circumstances":

- completing coursework too late and missing deadlines because of computer difficulties, or transport difficulties
- losing work not backed up on computer disk
- failure to make alternative travel plans when you knew about disruptions in advance
- normal work commitments on behalf of an employer

In the event that you believe you have an "extraordinary circumstance" which would be acceptable mitigation to having missed an exam or deadline, you should obtain appropriate supporting evidence and present it to the Lerner College Dean's office in time. The Dean's Office will evaluate the genuineness of the case and consider your "extraordinary circumstance" and make a decision about it. You should then ensure that the Dean's Office reports this decision to me. I will consider the information supplied and determine whether or not appropriate justification has been provided for missing an examination. If you fail to provide a documented reason for not taking an exam or quiz you will receive a grade of 0. If you require further, more specific advice on this, please contact your Faculty Office for advice.

Acceptable supporting evidence would normally be an original (not photocopy) document written and signed by an appropriate third party, giving details of the circumstance, its duration, and, where possible, its impact. An appropriate third party would be one who can verify the circumstance from a position of authority (e.g. police officer, solicitor, GP, University Counselor) and who is in a position to provide objective and impartial evidence. Note that this must relate specifically to the date of your absence. If you were ill, a doctor's medical certificate should be presented and give a clear medical opinion or diagnosis. It should not merely report
your claim that you were ill or felt unwell. Doctors will not provide a medical certificate if you request it after the illness is over. Letters from family members, fellow students or personal tutors are not normally acceptable.

For further information see the University Attendance Policies at

http://academiccatalog.udel.edu/

E-mail etiquette:

How to Use Proper Email Etiquette When Writing to a Professor

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