

Intermediate Macroeconomics 3102 Lecture 003

Semester Spring/2011

Blegen 215

8:15-9:30 Tu Thu

Instructor: Pu Chen Hansen Hall 3-151 chen1223@umn.edu

Office hour: Fri 10:00-12:00

I. Text:

The book we will be using is *Macroeconomics*, by Stephen Williamson (3rd edition), Addison Wesley. This textbook is required (we will be covering most of it) and should be available at Coffman Union or online bookstores. You are free to use the previous edition of Williamson's book, although there may be some minor problems with chapter numberings.

II. Description:

Econ 3102 is required for all undergraduate majors and for most minors in economics. It is also a prerequisite for many other undergraduate economics courses. The purpose of Econ 3102 is to provide a formal exposition of modern macroeconomics. I will start building up from what you learned in Econ 1102 and expand it; yet, the analysis will be done in a rigorous way. For this reason, the tools you've learned in Econ 3101 will prove extremely useful (I will do a small review before using them); even though this is not a microeconomics course, you need to be sure why things happen and to keep a clear idea of what's going on behind all the results we get. In the end, both graphical and mathematical analysis will be used for the exposition.

Up to now, there is no "definite" approach to teaching an intermediate macroeconomics course. While you should be familiar with the Keynesian model (most likely this was what you learned in Econ 1102), I'll present both the Keynesian and the Real Business Cycle (RBC) frameworks in the course, with an emphasis on the latter. The reason is simply that the RBC model is the workhorse of modern macroeconomics (at the research frontier).

Last, but not least, an added goal of the course is to test important theoretical results on realworld data and examples. I think that any Macroeconomics course should balance a strong theoretical background and empirical analysis. Get ready to crunch some data.

There are no permission numbers for this course. Students should register for any open seats in other sections or take the course in Summer 2011.

III. Prerequisite:

Econ 3101 is the prerequisite for the course. You should have completed Econ 3101 and its prereqs, Econ 1101, 1102, and Math 1271 successfully prior to taking this class. That is, you should have a grade of C- or better in all these courses.

The department asks you to drop the course if you have not completed the prerequisites- and we are very strict about this. In case of non-compliance, the department will drop you from the course.

IV. Course Requirements:

There will be 4 homework assignments, one midterm and a final. Class attendance is not mandatory but is highly recommended. From past experience, students who did not attend classes on average did poorly in this class.

V. Homework:

I expect to give you 4 problem sets during the course. They will be posted on the course's website. Each assignment has a top grade of 100 points. Late assignments will not be accepted under any circumstances. Of course, a documented family or medical emergency may exempt you from this rule.

By department policy, **all solutions must be typed**. Graphs and calculations may be handwritten. In fact, I suggest drawing graphs as a form of practice for the exams. A paper copy of the assignment must be submitted. Electronic copies will have a penalty of grade multiplied by 0.5. (Please staple your assignment, as I am not responsible for missing pages in your problem sets.) Students are strongly encouraged to work in groups (my experience shows that students learn best by discussing problem sets solutions between themselves). However, each student is responsible of writing up his or her own problem set. Be respectful and make sure you acknowledge the people you work with! Identical (or essentially similar) assignments will get a grade of zero. A stronger punishment is not ruled out. See the section on Academic Dishonesty for more information. If you disagree with the grading of an assignment, please resubmit it to me with a succinct written explanation of your concerns within 7 days. I reserve the right to re-grade the whole assignment, not just a particular section in question.

V. Exams:

There will be one midterm exam and one final exam. The final exam is also cumulative, and covers all the material in the course. The approximate date for the midterms is Mar 8 during class. There will be no make-up exam for the midterm (if there is a documented family or medical emergency, the weight of the midterm will be shifted to the final). The final exam is scheduled from 1:30pm-3:30pm Tuesday, May 10. According to University policy, you may request a make-up only if you have documentation of a family or medical emergency, another test scheduled at the same time, or three exams within a 16-hour period. If you have either of the last two complications, make sure you talk to me **before finals week**.

VI. Grading Criteria

The final grade is determined as follows:

Homework: 20%

Midterm: 30%

Final: 50%

The grading scale is:

92% - 100% A

90% - 91% A-

88% - 89% B+

82% - 87% B

80% - 81% B-

78% - 79% C+

72% - 77% C

70% - 71% C-

68% - 69% D+

60% - 67% D -

59% F

VII. Accommodations for students with disabilities

In compliance with the Cornell University policy and equal access laws, I am available to discuss appropriate academic accommodations that may be required for student with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made. Students are encouraged to register with Student Disability Services to verify their eligibility for appropriate accommodations.

VIII. Tentative Course Schedule

Introduction Chapter 1

Measurement and national accounts Chapter 2

Business cycle measurement Chapter 3

The one period economy Chapter 4

The utility maximization problem Chapter 4

Income and substitution effects Chapter 4

The consumption-leisure labor supply model Chapter 4

The firm's profit maximization problem Chapter 4

A closed-economy one period macroeconomic model Chapter 5

The Solow growth model Chapter 6

Growth convergence Chapter 7

The basic two period economy Chapter 8

The intertemporal choice problem Chapter 8

Income and substitution effects Chapter 8

The firm's profit maximization and optimal investment problem Chapter 8

A real intertemporal model with investment Chapter 9

International trade and international finance Chapter 13 & 14