

ECO 320L

Macroeconomic Theory – Syllabus

FALL 2010, UNIQUE 33410



lectures meet:
MWF 11:00 – 11:50 , UTC 2.102A

office hours
Mondays and Fridays 12:30 – 2:00

TA office hour information
available through Blackboard

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Overview

The purpose of this course is to further your understanding of the central ideas of macroeconomics. We will study long-run economic growth and short-run economic fluctuations. Once we have a basic understanding of these phenomena, we will discuss the main macroeconomic tools of the government, fiscal policy and monetary policy. By the end of the semester, you should be able to critically read articles on current economic issues that appear in publications such as *The New York Times*, *The Wall Street Journal*, or *The Economist*.

This course requires analytical thinking. Calculus is a must, although the inclination for abstract reasoning will be more important than specific technical skills. Econ 420K is a strict prerequisite. There will be three midterms, a final, 11 quizzes and three optional problem sets. All these will count toward your grade.

Textbook and supplements

The required textbook for the course is **Andrew B. Abel, Ben S. Bernanke and Dean Croushore, *Macroeconomics, 6th edition***, published by Addison Wesley. This textbook has the best balance between coverage of the results of modern macroeconomic theory and practical applications. The 6th edition is available with or without the so called ***Update Booklet***, and either version of the book is fine. (The update booklet is already outdated, and I will provide more up-to-date materials instead.) If you have the ***7th edition***, that is also acceptable, as it is not too different from the 6th.

You can find both new and used copies of the book from many online sources. The co-op will also carry a “**value edition**” version of the book, which is basically a cheaper, 3-hole punched, unbound edition. The ***e-text*** version of the book is available from CourseSmart.com. I believe there is also an ***international edition*** of the printed book, available on the gray market. Try googling the ISBN for the book.



New copies of the book contain an access code to the **MyEconlab** website. This is a very useful tool for practicing the material, and I highly recommend it. If you buy a used book, you can still purchase access to MyEconlab directly at the myeconlab.com website. You need the ID: XLOJ-318E-901Y-48Y2 to get to our course. There will be no graded work that is available only through MyEconlab.

Next semester, I will switch to the 7th edition of the book, and there is a custom MyEconlab website built for me that is based on the 7th edition. The main feature of this site is that it has review material from intro macro, specifically from Hubbard and O'Brien's Macroeconomics. If you want to use that review material, you can register for this custom site, instead of the 6th edition website, through CourseCompass. Use the course ID paal86333. (Note that the two versions of the MyEconlab sites are priced separately, so it would be expensive to have access to both.)

If the textbook options are not overwhelming enough yet, note that you can buy the e-text and/or the value edition of the textbook through first registering for MyEconlab at myeconlab.com

As an alternative to MyEconlab, I highly recommend the **Study Guide** associated with the textbook. It has excellent summaries of the chapters and many practice problems. Another good source of practice questions is the **companion website**: http://wps.aw.com/aw_abelbern_macrocon_6/.

Course website

The official website of the course will be on **Blackboard**. Please refer to that website for the most up-to-date information, announcements, handouts, problem sets etc. I sent an email to you about availability of materials for the first class through Blackboard. If you did not receive that email, then please see me to make sure you are registered on Blackboard. (Note: even if you are on the waitlist for the course or for some reason have not registered officially yet, I can grant you access to the Blackboard site manually. Please see me.)

Grading

There will be three midterms and a final. The first midterm (9/27) will cover material up to and including lecture 13. The second midterm (11/1) will cover lectures 15 -- 28. Note that some of this material builds on segment One, so to that extent, Midterm 2 will be comprehensive. The third midterm (11/1) will mainly cover lectures 30 – 37, but will also build somewhat on earlier material. The final will be *comprehensive*.

In addition, I will also give eleven online quizzes through Blackboard, of which the best ten will count towards your grade. These will mostly draw from material from the most recent week(s), and are intended to cover the entire required material. There will also be three extra credit problem sets, aimed at the more ambitious students, with problems that go somewhat beyond material directly covered in class. Assignments will be posted on Blackboard and generally will be due in about a week, in class. Late homework will not be accepted.

You are allowed, and in fact encouraged, to work on the problems in groups. However, the quizzes are often randomized, so you need to make sure you input the answer to your own version of the question. If you choose to do the extra credit problem sets, you must write up your own answer and cannot copy from someone else, even if you worked with that person together.

My policy on quizzes means that if you need to, you can drop one of them altogether. BUT: First, there will be no other exceptions. If you use up your drop opportunity early, you will not be excused from a



later quiz even if you then have a legitimate reason. Second, the main purpose of quizzes is to give you practice with the material. It is in your interest to do them and get feedback on your progress. So, please use the drop option wisely over the semester. After a quiz deadline passes, I will repost the same quiz as a set of practice questions for the upcoming midterm or final. Even if you dropped the quiz initially, it makes sense to do it as a practice.

The breakdown of scores is as follows:

- First midterm (covers Segment One) 20%
- Second midterm (mostly Segment Two) 25%
- Third midterm (mostly Segment Three) 15%
- Final (comprehensive) 25%
- Quizzes (10 of 11 count) 15%
- Problem sets (3) extra credit 6%

To assign letter grades I will use the weighted average of your percentage scores on the midterms, the final, the quizzes, and any problem sets you chose to do, using the above weights. I will then use standard rules for numerical rounding and the following tentative conversion table to give you a letter grade (These are the cutoffs I expect – in case the class deviates greatly from my expectation, I may lower them some. I will not raise them.):

percent	letter grade
90.0 –	A
86.0 – 89.9	A–
82.0 – 85.9	B+
76.0 – 81.9	B
72.0 – 75.9	B–
68.0 – 71.9	C+
62.0 – 67.9	C
58.0 – 61.9	C–
54.0 – 57.9	D+
48.0 – 53.9	D
44.0 – 47.9	D–
– 43.9	F

Attendance

Attendance is essential for success in this class. This is a hard class where the material builds up gradually during the semester. Falling behind can have long-lasting implications. I structured the homeworks and midterms in such a way as to give you proper incentives to keep up with the lectures, but I do not plan to take attendance explicitly. If attendance becomes a problem during the semester, I will start monitoring it more closely and will make it count toward your grade.



Policies

Part of your responsibility as a UT student is to attend classes and take notes. This is an essential part of the learning process. I will post on the Blackboard site some lecture materials, but not necessarily detailed lecture notes for every class.

The dates of the three midterm exams and the final, as well as the problem set and quiz deadlines are *fixed*. Missed exams generally will be treated as zeroes; only serious and substantiated medical or personal emergencies may be accepted as legitimate excuses for a missed exam. No exceptions will be made for athletes on the road, job interviews, or other non-academic activities. If you miss a midterm for a legitimate reason, then its weight will be shifted to the final. If a legitimate conflict arises with respect to the time of the final exam, I may shift the weight of the final to the midterms or I may allow you to take a make-up exam.

The three midterms are given on Monday evenings 7:00 – 9:00 pm (9/27, 11/1, 11/22), outside of class time. If you currently have a conflict with these times, you need to notify me by email before Friday 9/3, so we can make special arrangements. Otherwise you should treat these times as class times, and avoid scheduling conflicting activities. To somewhat compensate for the extra time used for the midterms, I will cancel the lecture on 11/24 (the Wednesday before Thanksgiving).

If you believe that your problem set or exam was graded incorrectly, you can ask me for a re-grade. The TAs cannot change a score, once it is assigned. You must submit your entire exam or problem set to me with a written explanation of the mistake you think occurred. I will then grade the entire exam or problem set again. Note that this procedure may actually *lower* your score as well as increase it.

Any student with a documented disability (physical or cognitive) who requires academic accommodations should contact the Services for Students with Disabilities area of the Office of the Dean of Students at 471-6259 (voice) or 471-4641 (TTY for users who are deaf or hard of hearing) as soon as possible to request an official letter outlining authorized accommodations.

Students who violate University rules on scholastic honesty are subject to disciplinary penalties, including the possibility of failure in the course and dismissal from the University. Since dishonesty harms the individual, fellow students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced.

The main purpose of these policies is fairness. I believe in rewarding those people who take their responsibilities seriously.

Emergencies

Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside. Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building. In the event of an evacuation, follow the instruction of faculty or class instructors. Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.

Students requiring assistance in evacuation shall inform their instructor in writing during the first week of class.

Behavior Concerns Advice Line (BCA)L: 232-5050



Topics

The semester will be divided into four segments, with the following topics covered in each:

- Segment One Some basic tools (math review, introduction, national income accounting)
The real side of the economy: the labor and the goods markets
- Related textbook reading:
Appendix
Chapter 1 (OK to skip 1.2)
Chapter 2
Chapter 3 (Ok to skip 3.6)
Chapter 4 (including the Appendix to Ch. 4)
- Segment Two The nominal side of the economy: the asset market
Business cycle facts
Putting the general equilibrium together: The IS/LM/FE and AD/AS model
Applications of the general equilibrium model:
-- classical views of the business cycle and government policy
-- Keynesian views of the business cycle and government policies
Inflation and unemployment
- Related textbook readings:
Chapter 7
Chapter 8
Chapter 9
Chapter 10 (we may skip some parts, TBA)
Chapter 11 (we may skip some parts, TBA)
Chapter 12
- Segment Three Open economies: the goods market and the open economy IS/LM model
Economic growth
- Related textbook readings
Chapter 5
Chapter 13 (we may skip 13.4 and 13.5)
Chapter 6
- Segment Four Some advanced applications and current issues:
- Related textbook readings:
some sections from Chapters 14 and 15, TBA

Tentative timetable

This is an approximate plan for the semester. Updated versions of this timetable will be posted on Blackboard as necessary.

date	important events	topics	textbook
8/25 W		1. syllabus, Keynesian vs. classical, preview of model	1.3
8/27 F		2. some current issues, working with growth rates,	Appendix, 1.1
8/30 M		3. measurement of the economy	2.1,2,4,5
9/1 W		4. saving identities, current account	2.3
9/3 F	Q1 due Sunday	5. the aggregate production function	3.1
9/6 M	Labor Day – no class		
9/8 W		6. labor demand, labor supply	3.2,3
9/10 F	Q2 due Sunday	7. labor market equilibrium, TFP experiment, the FE line, unemployment	3.4,5, 9.1
9/13 M		8. intro to goods market, consumption/saving choice	4.1,A
9/15 W		9. comparative statics for consumption and saving	4.1,A
9/17 F	Q3 due Sunday	10. investment demand	4.2
9/20 M		11. summary of the goods market, TFP experiment	4.3
9/22 W		12. fiscal policy experiments, Ricardian equivalence	4.1,A
9/24 F	Q4 due Sunday	13. fiscal policy in equilibrium, crowding out, the IS curve	4.3, 9.2
9/27 M	Midterm 1, 7:00 – 9:00	14. review session in class, MT1 in the evening in UTC 2.102A	
9/29 W		15. asset market intro, money supply, the money multiplier	7.1
10/1 F		16. money demand, the quantity theory of money	7.2,3
10/4 M		17. inflation expectation, asset market equilibrium	7.4
10/6 W		18. monetary policy, real and nominal interest rate, the LM curve	7.5, 9.3
10/8 F	Q5 due Sunday	19. business cycle measurement and facts	8.1,2,3
10/11 M		20. review of AD/AS model, and the FE, IS and LM curves	8.4, 9.1,2,3
10/13 W		21. general equilibrium	9.4,5
10/15 F	Q6 due Sunday	22. AD/AS in more detail	9.6
10/18 M		23. business cycles in the classical model	10.1
10/20 W		24. money in the classical model	10.2,3
10/22 F	Q7 due Sunday	25. sources of wage and price rigidity	11.1,2
10/25 M		26. monetary and fiscal policy in the Keynesian model	11.3
10/27 W	Q8 due Thursday	27. business cycles in the Keynesian model, Phillips curve	11.4,
10/29 F	Midterm 2, 7:00 – 9:00	28. review session in class, MT2 in the evening in	
11/1 M		29. more on unemployment and inflation	12.1,3,4
11/3 W		30. BOP accounting, the goods market in an open economy	5.1,2
11/5 F		31. small and large open economies, fiscal policy and the goods market	5.3,4,5
11/8 M		32. exchange rates	13.1,2
11/10 W		33. open economy general equilibrium	13.3,(4?,5?)
11/12 F	Q9 due Sunday	34. growth accounting, set up the Solow model	6.1,2
11/15 M		35. Solow model, derivation of the steady state	6.2
11/17 W		36. comparative statics in Solow, the Golden Rule	6.2
11/19 F	Q10 due Sunday	37. policy implications, endogenous growth theory	6.2,3
11/22 M	Midterm 3, 7:00 – 9:00	38. review session in class, MT3 in the evening in UTC 2.102A	
11/24 W	class cancelled	39.	
11/26 F	Thanksgiving – no class		
11/29 M		40. the financial crisis, some banking theory	TBA
12/1 W		41. government budget constraint and European debt crisis	TBA
12/3 F	Q11 due today	42. interest-elastic labor supply and RBC theory	TBA
12/8 F	Final 9:00 – 12:00		