

ECON 322: INTERMEDIATE MACROECONOMIC THEORY

FALL 2018

INSTRUCTOR: Seokil Kang

TIME AND LOCATION: Tue, Thu 9:30 to 10:45 am, Woodburn Hall 007

CONTACT: sk86@iu.edu or CANVAS message

OFFICE HOURS: MW 2:30-4:00pm WY310 and by appointment

**** DISCLAIMER:** The syllabus is the plan-and even a contract!, but everything is subject to change. Syllabus will be updated accordingly, so please keep checking the syllabus on CANVAS.

OVERVIEW AND OBJECTIVES

Macroeconomics is the study of an economy as a whole, usually country-scale. It analyzes the mechanism of economic activities like consumption, production, investment, employment, inflation, government spending etc at aggregate level. Macroeconomists study such questions as: What makes the business cycle fluctuate; what makes economic growth go up and down; how are prices determined and what are the determinants of productivity? However, modern macroeconomics is built on the microeconomic foundation, so macroeconomics shares the same tool of analysis with microeconomics, in short, *mathematics*! It helps us to investigate the economy in precise, logical manner. However, it is merely a tool and the essence of macroeconomics lies in interpreting and understanding the results of mathematical models. Therefore this course will practice to build a macroeconomic model and then interpret it as well.

PREREQUISITES

E202(S202) and E321(S321). The course presumes that students are comfortable with algebra and taking derivatives(M119 or M211). We will have a quick review of them. A diligent attitude towards class and CANVAS is a necessary requirement.

RECOMMENDED TEXTS

- S. D. Williamson, *Macroeconomics*, 5th or 6th edition: Pearson.
- J. Garin, R. Lester, E.Sims, *Intermediate Macroeconomics*, manuscript, https://www3.nd.edu/~esims1/gls_int_macro.pdf
- Additional materials will be provided if needed. This implies that the exams will be subject to the main textbook and materials provided covered in class.

ASSESSMENTS

1. **Attendance:** There would be no regular attendance checking. However, I will check the attendance randomly by calling names time to time and by the homeworks submitted. *Late arrival will be regarded as absence.* It is understandable that sometimes there are important events that one just cannot miss. Or even sometimes a rest can be a good way to improve one's academic performance. Thus, there will be no penalty for the first two absences with any reason. Students are welcomed to use these bonuses. But after the second absence, the absentee will get penalty of 1% of numeric grade. Still students can ask the instructor about valid excuses beforehand but they must be followed by official documents of proof with zero ambiguity. Only two reasons are acceptable in advance.

- (1) Illness with doctor's note "too sick to attend". You must provide the name and the phone number of the doctor. You do not need to provide specific medical issues. The usual note from IU health center saying "this student was here" is unacceptable. Even superheros can visit a hospital.
- (2) Pass away of the direct family with official notice.

For other reasons, Instructor will consult with the department. Please use the free absence chances wisely.

2. **Assignments:** Students are expected to have a weekly set of homework assignment. The due dates will be announced as the semester proceeds. Assignments must be submitted to the instructor before the class begins, on the day it is due. Submission on behalf is prohibited. I will not accept an online submission unless the assignment is computer-typed. Late submission will be accepted with cut in points with no excuses. You may work with your classmates but you must refer the fact of co-working on your assignment. Otherwise, we call it plagiarism.
3. **Exams:** Tentative schedules are **Sep 20 in class, Midterm 1, Oct 25 in class, Midterm 2 and Week 17(TBA, Final Exam)**. Exams will cover everything done in class and assignment. Unexcused absences for exams result in zero score. You must provide the instructor the official documents of proof mentioned above. The make-up exam must be taken within two weeks of the tested date. For the sake of the fairness of grading, make-up exam will be modified accordingly. Remember that the make-up exam is not a guaranteed service, especially the final.

GRADING POLICY

Assignments(20%)+Midterm Exam 1,2(25% each)+Final Exam(30%) $\Rightarrow$ 100% - absence $\times$ 1%

There is no extra credit. However, since the late submission of assignments is permitted, that can be your last resort. But do not count on it too much because the point you can get from it decrease over time.

Once more, although there is no specific portion for attendance, students will get 1% of numeric score(100% total) for each absence starting from third one.

TENTATIVE GRADING SYSTEM

Grading system below is provisional not conclusive because the final letter grade will be constructed via a curve of the best of these numeric scores. Of course this does not indicate that instructor will grade by discretion.

≥ 95.00	A+	70.00 - 74.99	C+
90.00 - 94.99	A	65.00 - 69.99	C
87.00 - 89.99	A-	60.00 - 64.99	C-
83.00 - 86.99	B+	55.00 - 59.99	D
80.00 - 82.99	B	50.00 - 54.99	D-
75.00 - 79.99	B-	≤ 49.99	F

ADMINISTRATIVE ISSUES AND ACADEMIC MISCONDUCT

This course follows the policies provided by Indiana University. For class administrative rules visit student center <https://one.iu.edu/task/iu/student-center>. Students are responsible to be well acquainted with the university policies which are outlined in the *Code of Student Rights, Responsibilities, & Conduct*. Policies and regulations of the class that are not specified explicitly in the syllabus will also be subject to *Code of Student Rights, Responsibilities, & Conduct* and if needed, official announcement by the instructor will be made. *Academic misconduct* is defined as any activity that tends to undermine the academic integrity of the institution. The university may discipline a student for academic misconduct. Academic misconduct may involve human, hard-copy, or electronic resources. Details are followed in <http://studentcode.iu.edu/responsibilities/academic-misconduct.html>. The penalty of any academic misconduct is the grade of F at minimum with zero tolerance.

The last day for an automatic "W" is Sunday, October 21st, 2018. This is also the last day to get a withdrawal slip signed without a special petition. After this date, you can obtain a late withdrawal from a course only by first receiving special permission from the dean of the college. Such permission is VERY difficult to get. University rules specify that permission for late withdrawals is "given only for urgent reasons relating to extended illness or equivalent distress" to a student who is "passing the course on the date of withdrawal." To add or drop classes: <http://studentcentral.indiana.edu/register/register-classes/change-registration/drop-add.shtml>.

TENTATIVE COURSE OUTLINE

The followings are mainly from the contents of the main textbook. These can be regarded as the overall outline of this course. We will go through this stream up to limited time. However, it may be revised depending on the schedule of the course.

INTRODUCTION

- Introduction
- Mathematical preliminaries
- Measurement
- Business cycle

ONE PERIOD MODEL

- The work-leisure decision and profit maximization
- A Closed-Economy One-Period Macroeconomic Model

MIDTERM 1: SEP 20 IN CLASS

ECONOMIC GROWTH

- Malthus and Solow
- Income Disparity Among Countries and Endogenous Growth

TWO PERIOD MODEL

- The Consumption–Savings Decision and Credit Markets
- Credit Market Imperfections: Credit Frictions, Financial Crises, and Social Security Credit Market Imperfections: Credit Frictions, Financial Crises, and Social Security

MIDTERM 2: OCT 25 IN CLASS

MONEY AND BUSINESS CYCLES

- Money, Banking, Prices, and Monetary Policy
- Business Cycle Models with Flexible Prices and Wages
- New Keynesian Economics: Sticky Prices
- Inflation: Phillips Curves and Neo-Fisherism

THANKS GIVING BREAKS

ADVANCED TOPICS

- Money, Inflation, and Banking: A Deeper Look
- Recardian equivalence

FINAL EXAM: WEEK 17, TBA