Economics 110D
Duke University
Fall Semester 2011, TuTh 115p-230p

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INTERMEDIATE ECONOMICS III

MACROECONOMICS

Course Description

Modern macroeconomics studies the dynamic interactions among aggregate variables such as output (GDP), household consumption, fixed investment, employment, government expenditure and debt, and interest rates.

In this course we use macroeconomic theory to understand the patterns of comovement among these variables in post World War II U.S. data. We begin with a theoretical framework often referred to as the "neoclassical" model, which is founded on microeconomic principles. A closed-economy version of the model that describes private behavior and excludes any role for the government is our starting point. With this simple model we can think about basic issues related to business cycles and growth.

Since macroeconomics tries to understand the effects and desirability of various government policies, later in the course we study the effects of fiscal policy (government expenditure, transfers, taxes and debt) by adding a government sector to the model. We then discuss monetary policy. Then we turn to the Keynesian model, and explore how it has different implications for the effects of fiscal and monetary policy.

Administrative Information

Office Hours. See the course web page.

Course Web Page. http://www.duke.edu/~acb8/econ110.htm
All course materials and announcements will be posted using Blackboard, and I usually announce new postings by e-mail. It is your responsibility to keep yourself up to date.

Required textbook. None. I distribute lecture notes that are the prototype of my own text.

TAs. The TAs run the discussion sections and will hold office hours to be announced. Attendance at TA sections is not required but is recommended. The TAs will review questions from old assignments and tests that I consider particularly relevant. This can be really helpful in test preparation.

Head TA: Emily Anderson
TAs: TBA

Final grades will be based on two midterm tests, and a final exam. Assignments will be handed out but they do not count towards the final grade. Letter grades will be determined based on a numerical score out of 100. Each of the tests will be graded out of 100.

At the end of the semester, calculate the mean and standard deviation of the scores across all three tests. Let those numbers be x and s. I also calculate the mean and standard deviation specific to each test. Let those be x_j and s_j, for j=1,2,3. If your original score on test j is y_j, your rescaled score on test j is $z_j=\max(77,x)+s*(y_j-x_j)/s_j$. In other words, I rescale all the test scores so that the three sets of test scores have the same mean and standard deviation. I also don't let the mean of the rescaled tests be less than 77.

I count the final as two tests, and the midterms as one test each, for a total of 4 scores. Your worst *rescaled* score of the 4 will be dropped and the remaining 3 will have equal weight towards the 100 points for the course (they will receive 33.33 points each).

Example 1: M1 80%, M2 70%, Final 84%. This means scores of 80, 70, 84 and 84, from which 70 is dropped. Your points (out of 100) will be 0.3333*(80+84+84)=82.67.

Example 2: M1 80%, M2 84%, Final 70%. This means scores of 80, 84, 70 and 70, from which one of the 70s is dropped. Your points (out of 100) will be 0.3333*(80+84+70)=78.

The final exam is treated as equivalent to two midterms in this system because it is substantially longer and tests your comprehensive knowledge of the entire course. This is why the student in Example 2 gets a worse grade than the student in Example 1.

Final scores (out of 100) for the course as a whole will be translated to letter grades on the following basis: A+ (97-100), A (93-96), A- (89-92), B+ (85-88), B (81-84), B- (77-80), C+ (73-76), C (69-72), C- (65-68), D+ (61-64), D (57-60), D- (50-56), F (below 50). Typically the median letter grade in my course is a B, but I make no promises. Given the grading scheme I've described above, the mean final course score cannot be less than 77.

Grading Errors and Missing Grades

Questions about grading errors should be directed to the head TA. If you and the head TA do not agree about a grading question, the head TA will submit the grading issue to me. A grading issue that comes to me will lead to a re-grade of the entire exam. Regrade requests on exams *must* be made within a week of me returning the exams to you.

Assignments

Assignments serve three purposes: (i) to enhance your understanding of the lecture material, (ii) to provide some questions which resemble the types of questions you might see on a test or exam, and (iii) to challenge you with more difficult, sometimes mathematical, problems that cannot be used on tests because they are too time consuming. Since assignments are not graded, you are free to work on them alone, in teams, or not at all.

IMPORTANT: Missing tests due to illness or for other reasons

If you miss a midterm for any reason that a Dean does not excuse it will count as a zero and use up your "worst score" allowance described above. Thus, to name a few examples, I will not provide make-up opportunities for short term illnesses, interview conflicts, participation in non-varsity Duke sports, or other unofficial Duke-related activities. My grade allocation policy (letting you drop one test) is designed to accommodate these sorts of situations. If a long-term illness, *extraordinary* personal circumstances, or *officially* representing the university prevent you taking a midterm, *and* you obtain a Dean's excuse, a suitable alternative arrangement will be made at my discretion.

If you participate is a varsity sport the university athletics department should contact me if the events you are participating in prevent you taking a test in-class.

Missing a final exam requires a Dean's excuse. Failure to acquire a Dean's Excuse will lead to a grade of 0 being assigned. From my experience the deans hold a high standard when handing out excuses.

Religious holidays

The university policy with respect to religious holidays is posted on the web site:

http://trinity.duke.edu/academic-requirements?p=religious-observance

My test dates do not conflict with any of the dates listed on the website. If you need to miss a test for observance of a religious holiday not listed on the web site, you must contact me in advance (as indicated on the web site) to determine a mutually acceptable accommodation.

Alternative test arrangements and other accommodations

If you have a Letter of Accommodation from SAO, *please bring it to my attention during the first two weeks of classes*.

The Duke Community Standard

I expect students to conform to the Duke Community Standard:

http://honorcouncil.groups.duke.edu/communitystandard.html

I take the standard seriously and do my part to enforce it when possible. I randomly select a large sample of student test answers before returning graded exams as an enforcement mechanism. Please do not break the standard in my class. It just makes life unpleasant and isn't worth it.

Code of Conduct

I am irritable but will be less so if everyone does their best to (i) arrive punctually, (ii) not leave early without a good reason, (iii) cease conversations when the class begins, (iv) turn off (or silence) cell phones and other electronic devices, (v) avoid demonstrably reading newspapers during class. I used to yell at people about these things. Now I just roll my eyes, because I'm old and cranky. Sleeping is fine. You can't get sleep at home as good as you can get listening to me. But try not to snore.

Math Requirements and Other Prerequisites

Please see the advice on my webpage regarding math, statistics and microeconomic knowledge presumed in this course. Formal prerequisites can be obtained from Ecoteach.

Syllabus and Schedule

B*x* refers to chapter x of my course notes.

Aug 30-Sep 6: Labor Supply, Consumption, Production and the Labor Market (B2&3)
Sep. 8-15: Credit Markets and Intertemporal Choice (B4)
Sep. 20-22: Investment (B5)
Sep. 27-29: Economic Growth (B6)

- Oct. 4: Midterm Test 1

Oct. 6: Business cycles (B7)

Midterm break

Oct. 13-20: Fiscal Policy in the Market Clearing Model (B9)
Oct. 25-27: Money Demand and Monetary Policy in the Market Clearing Model (Lecture Notes)
Nov. 1: Monetary & Fiscal Policy Coordination (Lecture Notes)
Nov. 3: class canceled
Nov. 8: The Phillips Curve

- Nov. 10: Midterm Test 2

Nov 15: Sticky Prices
Nov. 17: The IS-LM and AS-AD Framework

Thanksgiving break (Nov. 22 class canceled)

Nov. 29: Fiscal Policy at the Zero Lower Bound
Dec. 1: The Fed and Monetary Policy
Dec. 6-8: Asset Prices, Exchange Rates, Open Economy Macro

- Wednesday, Dec 14 (2-5p): Final Exam