

ECON 304: Intermediate Macro, Spring 2017
Section 02: MW 14:00-15:20, Morton Hall 39
Section 03: MW 15:30-16:50, Morton Hall 40

CONTACT INFORMATION

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RESOURCES

- (Required) Olivier Blanchard and David H. Johnson, *Macroeconomics*, 6th Edition, Prentice Hall, 2012. (ISBN: 0133061639).
- (Recommended) David W. Findlay, *Study Guide: Macroeconomics*, 5th Edition, Prentice Hall, 2008 (ISBN: 0132078333). The study guide for *Macroeconomics* is a helpful source for practice problems and additional review.

COURSE DESCRIPTION

This course takes an intermediate level approach to macroeconomic theory and its applications, building on the foundations developed in the principles level economics classes. It provides analytical tools and formal models to explain the behavior of output, inflation, employment, interest rates, exchange rates, and other aggregate economic quantities. This set of tools is used to understand current economic issues, forecast the behavior of the economy, and assess the impact of policy choices. This course trains students to think in a structured, analytically rigorous, way about macroeconomic questions. This training will allow students to use macroeconomics as an analytical tool rather than a set of assorted theories. Finally, it will help prepare students entering graduate education or starting careers in management, finance, or economic policy-making.

LEARNING OBJECTIVES

Students should be able to achieve the following course objectives:

- Improve economic literacy and ability to apply economic models to analyze world events
- Effectively communicate economic concepts and relationships
- Demonstrate an ability to use and solve mathematical models
- Identify the behaviors of important macroeconomic variables
- Learn how to distinguish between long-term trends and short-run business cycles

- Identify and explain fundamental functional relationships of the IS-LM and AS-AD models
- Analyze the impact of changes in major economic variables on output, interest rates, wages, money demand, taxes, and investment
- Learn how to find, use, and interpret macroeconomic data
- Understand the causes and implications of the 2007-09 financial crisis

PREREQUISITES

ECON 102 (Principles of Macroeconomics). More generally, students should be familiar with the concepts of supply and demand, the basics of monetary and fiscal policy, and have some experience using equations, graphs, and tables to analyze economic situations. Students are also expected to be familiar with functions, their graphical representation, and the solution of simultaneous equations. Consistent study habits coupled with an eagerness to learn and ask questions will help to achieve the learning objectives.

ATTENDANCE

Attendance will be recorded randomly throughout the semester. There are three main reasons for this policy. First, some topics not covered in the textbook will be introduced in lectures and you will be held responsible for them on exams. Second, experience suggests that comprehension of course material and exam performance is compromised for students who do not regularly attend. Third, participation promotes lively discussion and benefits the entire class. Thus, your attendance and participation will be worth up to 2.5% of your total course grade as extra credit. You can earn points through consistent class attendance and active participation in class discussion (both by asking questions and providing answers to questions posed during lecture). Attendance/participation will be awarded at the end of the semester according to the following point scheme:

Attendance/Participation	Frequent	Infrequent	Never
0-1 absence	25	25	25
2 absences	25	20	15
3 absences	15	10	5
4 absences	10	5	0
5+ absences	0	0	0

Most of our class time will be spent with my presentation of the material. However, I will ask questions continuously during class to elicit your engagement with the material and to determine whether you are grasping hold of the ideas. At any time, in class or during office hours, you are encouraged to ask questions. No question is a dumb question if something is impeding your learning. Furthermore, if you disagree with the methods of analysis or the conclusions that are derived, you are welcome to express your disagreement openly. Such questions promote discussion, and your insights may benefit the entire class.

READING ASSIGNMENTS

Reading assignments are listed on the course outline and will be announced in class. Please try to do all your readings as scheduled. I understand that this is not always possible for a variety of reasons, but falling too far behind in the readings is not a very good practice. Lectures will make more sense if you do the assigned reading prior to the lecture. Moreover, each new section will build upon the concepts learned in the earlier sections, and you will not be able to understand the current lectures unless you understood the previous lectures. Remember, some material in the text will not be repeated in lecture; some concepts in lecture may not be found in the textbook.

EXAMS

Exams are stressful but useful. They provide an incentive for you to learn and allow me to evaluate your skills. Exams consist of multiple-choice and free response questions. Please bring a pencil and calculator. There are two in-class midterm exams and a **comprehensive** final exam:

Monday, Feb 20	Midterm Exam I	17.5% of your course grade
Monday, Apr 3	Midterm Exam II	17.5% of your course grade
Section 02 Final	Thursday, May 4, 14:00-17:00	
Section 03 Final	Monday, May 1, 9:00-12:00	

If you miss either midterm exam and you have a documented excuse from the Dean's office, the exam's weight will shift to the next exam. Excuses should be documented as far in advance as possible. If you miss an exam without a valid excuse, you will receive a zero and there will be no chance to earn those course points.

It is the policy of The College of William & Mary to accommodate students with disabilities and qualifying diagnosed conditions in accordance with federal and state laws. Any student who feels s/he may need an accommodation based on the impact of a learning, psychiatric, physical or chronic health diagnosis should be referred to Student Accessibility Services (SAS) staff at 757-221-2509 or at sas@wm.edu. SAS staff will work with you to determine if accommodations are warranted, and if so, to help you obtain an official letter of accommodation. For more information please see www.wm.edu/sas.

Please note that anything discussed in class or any topic in the assigned reading from the textbook is "fair game" for the exams. There may be material presented in class that is not in your textbook, so make sure that you have a full set of notes from which to study. The exam questions will test your ability to understand and recall basic principles. They will also test your understanding of applications of theories, tools, and models. This means that you must learn to analyze hypothetical and "real world" problems that you encounter for the first time.

ASSIGNMENTS

A problem set will be assigned after every section of the course (see the course outline below). There will be 5 sets throughout the semester. Each problem set is worth a maximum of 50 points (250 total), making up 25% of your course grade. The problem sets will consist of multiple choice questions and short-answer/analytical exercises. They will train you to apply macroeconomic tools and concepts in the same way as you will be required for the exams.

In addition to the problem sets, there will be 3 data assignments. Each assignment is worth a maximum of 50 points (150 total), making up 15% of your course grade. The data assignments

will require you to locate, plot, and analyze key macroeconomic variables studied in class. They are intended to give you hands-on experience with macroeconomic indicators and national income accounting, which is essential to becoming a successful macroeconomist.

All assignments must be turned in on time on the due date by 5pm. Late work will *not* be accepted. I encourage you to work together on problem sets, and you may turn in one set of answers per group with up to 3 names (from either section). I will not assign groups nor will I police them; you may change groups throughout the semester. Problem sets are graded on accuracy as well as on effort. Answers that are vague, difficult to read, or incomplete will not receive full credit.

GRADING PROCEDURES

The classes will be a mixture of lecture, discussion, and review. The weight of the final exam is higher than the midterm exams to reward students who show improvement during the semester. The grading scheme follows:

Activity	Points	Percent
Problem Sets (5@50)	250	25%
Data Assignments (3@50)	150	15%
Midterm Exam 1	175	17.5%
Midterm Exam 2	175	17.5%
Final Exam (comprehensive)	250	25%
Attendance and Participation	+25	+2.5%

There are 1025 out of 1000 total points available in this class. Please note that it is possible to miss the next highest grade by only a few points. This may happen, so be aware of this possibility. If you want to appeal any grading, you must contact me no later than one week from the date I post your score. The following table indicates the minimum number of points needed to guarantee a certain grade.

Grade	Minimum Points	Percent
A	920	92
A-	880	88
B+	850	85
B	800	80
B-	770	77
C+	740	74
C	700	70
C-	670	67
D+	640	64
D	580	58
D-	550	55
F	<550	<55

If the *median* grade at the end of the course falls below 72%, then each student's final grade will be adjusted upward by the same number of points to achieve a class median of 72%. For example, if the median grade is 700/1000 points, 20 points will be added to every student's grade. Note that this does not mean final grades are based on a predetermined bell curve.

HONOR CODE

I expect everyone to follow the Honor Code. Please see your student handbook for details. "As a member of the William and Mary community, I pledge on my honor not to lie, cheat, or steal, either in my academic or personal life. I understand that such acts violate the Honor Code and undermine the community of trust, of which we are all stewards." Financial and economic crises are precipitated by breeches of trust, so you must understand this is not only very important to me but also to our entire society. I will not hesitate to punish violators of the Honor Code.

TENTATIVE COURSE OUTLINE

This is a *tentative* outline. My goal is to proceed at an optimal pace: slow enough that important concepts are thoroughly learned, yet fast enough that the course does not drag. It is a delicate balance. Consequently, this outline is subject to change. Any changes will be announced in class.

The Data of Macroeconomics

Real/Nominal GDP and Price Indices	Chapter 2	Jan 18/23
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The Short Run

The Goods Market	Chapter 3	Jan 25
Due: Data Assignment #1		5pm Jan 27
The Goods Market	Chapter 3	Jan 30
The Financial Market	Chapter 4	Feb 1
Due: Problem Set #1		5pm Feb 3
Goods and Financial Markets: The IS-LM Model	Chapter 5	Feb 6/8

The Medium Run: Part I

The Labor Market	Chapter 6	Feb 13
Catch up/Q&A		Feb 15
Due: Problem Set #2		5pm Feb 17

Midterm Exam I (Chapters 2-6): Monday, Feb 20

The Medium Run: Part II

Putting All Markets Together: The AD-AS Model	Chapter 7	Feb 22/27, Mar 1
Due: Data Assignment #2		5pm Mar 3
Spring Break		Mar 4-12
The Financial Crisis	Chapter 9	Mar 13/15
Due: Problem Set #3		5pm Mar 17
Last Day to Withdraw		Mar 17

The Long Run: Part I

The Facts of Growth	Chapter 10	Mar 20
Savings, Capital Accumulation, and Output	Chapter 11	Mar 22/27
No Class/Independent Study		Mar 29
Due: Problem Set #4		5pm Mar 31

Midterm Exam II (Chapters 7-11): Monday, Apr 3**The Long Run: Part II**

Technological Progress and the Long Run	Chapter 12	Apr 5/10
Due: Data Assignment #3		5pm Apr 14

Expectations

Expectations: The Basic Tools	Chapter 14	Apr 12/17
Financial Markets and Expectations	Chapter 15	Apr 19/24
Catch up/Q&A		Apr 26
Due: Problem Set #5		5pm Apr 28

Final Exam (Chapters 2-7, 9-12 and 14-15)

Section 02: Thursday, May 4, 14:00-17:00

Section 03: Monday, May 1, 9:00-12:00