

The College of William and Mary

ECON 304: Intermediate Macroeconomics

Section 1 (Mondays and Wednesdays 3:30-4:50)

Syllabus

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Course Overview

ECON 304 studies the performance of the overall economy, along with different theories of what determines the overall level of economic activity. The course examines whether a market economy tends to generate full employment of the labor force or instead tends to fall into a state of underemployment equilibrium; whether monetary variables, such as the money supply, have an effect on real economic variables, such as GDP and the unemployment rate; and whether the financial system promotes or impedes the attainment of full utilization of society's productive resources. See course outline and reading assignments for further details.

About Myself

I grew up in Denver, Colorado and am a proud graduate of Iver C. Ranum High School. Unfortunately, my high school no longer exists. After I graduated, the Colorado State Department of Education shut it down because the standardized test scores of its students indicated that the school was academically ineffective. (Hmm, that might explain a lot.)

I received my Bachelor of Science in Accounting at the University of Denver in 1983. I was a very bookish, nerdy type of student – you know, the type you find in the library on a Friday evening – and decided to pursue a career where I would get paid to indulge my bookishness. I had taken a particular liking to economics, so I thought I'd take a shot at obtaining the credentials I would need to become an economics professor.

I stuck around a couple more years at the University of Denver to earn my Master of Arts in Economics degree in 1985 and then went on to earn my Ph.D. in Economics from the University of Michigan in 1990. I met my wife while at the U. of M., and it was love at first sight! Er, well, it least it was at my end. We got married the same year I received my

doctorate, and she's managed to put up with me ever since. We have one son, who is now majoring in computer science and statistics at the University of Auckland.

After obtaining my doctorate, I worked as a visiting faculty member at Oakland University, located just outside of Detroit, while my wife was finishing up her doctorate. My wife then took a job as a research scientist at Brookhaven National Laboratory on Long Island, so I followed her east, first as a visiting faculty member at Bucknell University in Pennsylvania and then as a tenure-track faculty member at Dowling College on Long Island, where I started working in 1994. The happiest years of my adult life were the years spent on Long Island. Our son grew up there, and I loved my job at Dowling. Sad to say, things came crashing down in June, 2016, when Dowling had to close its doors due to financial difficulties. I then became an academic refugee, and the Department of Economics here at William and Mary graciously offered me asylum as a visiting faculty member.

My all-time favorite intellectual is Friedrich Nietzsche, an existentialist philosopher who wrote his last book in 1888, when he went insane. My favorite living intellectual is Kathleen Higgins, a philosophy professor at the University of Texas. I enjoy reading about philosophy and history, whenever I find the opportunity to do so. I will be spending much of my time browsing books over in Swem Library, especially in the vicinity of the "B" call numbers. If you come across me there, please do not hesitate to stop and chat. I do not mind the distraction at all. I will also be spending much of my time at the Student Recreation Center since, at my advanced age, I get achy bones if I do not work out regularly. You are more than welcome to join me on my workout circuit, provided you can resist the urge to laugh at the sight of me working out.

If, for some strange reason, you would like to know about the areas I have published in, just Google "Mark Greer Google Scholar", and a link to my Google Scholar profile should appear. As you will see, I have been a dilatant in a small number of disparate fields in economics. In other words, I am an expert at nothing.

Course Prerequisite

You need to have taken and passed ECON 102: Introductory Macroeconomics at William and Mary, or its equivalent at another institution, in order to take ECON 304.

Text and Course Materials

The assigned textbook for the course is *Macroeconomics*, 12th edition by Dornbusch, Fisher and Startz. It is available for purchase in the bookstore. It is not necessary to buy the book in new condition, so if you can find an inexpensive used version on-line, please feel free to do so.

As you may notice from the Course Outline and Reading Assignments section at the end of the syllabus, we are not quite following the textbook chapters in the same sequence as they

appear in the text. There is a reason for this. The textbook authors have chosen to present the theoretical models early on, with the concepts that feed into these models presented in the later chapters. In contrast to the textbook's top-down approach to the subject matter, I have chosen a bottom-up approach, where we first get a handle on understanding the concepts underlying the theoretical models before we delve into the models. Fortunately, the chapters that cover the underlying concepts do not presuppose an understanding of the theoretical models.

You will need to bring to each class meeting a wifi-enabled cellphone, tablet or laptop computer that has a browser loaded on it. We will be using Poll Everywhere, an internet-based clicker technology for in-class practice problems we will be doing. The College covers your subscription to Poll Everywhere, so you do not have to pay for it. Further instructions on Poll Everywhere will be provided shortly.

Course Requirements and Grading

Course requirements consist of six quizzes, three regular exams and one cumulative final exam. The following weights will be given to the course requirements when your course grade is calculated:

Top Five Quizzes	15% (3% each)
Regular Exams	54% (18% each)
Final Exam	31%

The lowest of your six quiz scores will be thrown out. The quizzes and regular exams will not be cumulative, but the final exam will be. Detailed study guides for the quizzes and examinations will be distributed in advance of each quiz and exam. Practice problems galore will be posted on the course website to help you prepare for the quizzes and exams also.

If your score on the final exam is higher than your lowest regular exam score, your score on the final exam will replace your lowest exam score. Please note that this can be done for only one regular exam score. See Course Outline and Reading Assignments for the dates of the exams.

If you are eligible for accommodations on examinations, please make arrangements with Student Accessibility Services at least two weeks in advance of the first exam. They will provide such accommodations.

At the end of the semester, your weighted average course score will be calculated by applying the weights, listed above, to your scores on the quizzes and exams. Your weighted average course score will then be converted to a letter grade using the following scale: 93% and higher = A, 90%-92% = A-, 87%-89% = B+, 83%-86% = B, 80%-82% = B-, 77%-79% = C+, 73%-76% = C, 70%-72% = C-, 67%-69% = D+, 63%-66% = D, 60%-62% = D-, and 59% and below = F. This

grade scale will be applied strictly to all students and no exceptions or special favors will be granted.

ADA Accommodation Statement

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels s/he may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2509 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see www.wm.edu/sas

Missed Exam Policy

A student who misses a regular exam will receive a score of zero on it, and the student's score on the final exam would then replace the zero at the end of the semester. This accommodation will be made automatically in cases where students miss only one exam. In extenuating and uncontrollable circumstances, such as severe illness requiring medical attention or participation in College-sanctioned events precluding a student from taking an exam, a student may be allowed to have her/his final exam score replace a second missed regular exam score of zero. In these cases, the student must present documented and credible evidence of such extenuating and uncontrollable circumstances. Also, in cases where a student misses one exam due to documented extenuating circumstances and misses no other exams, that student will still be entitled to have his/her final exam score replace the lowest score on the regular exams she/he took if the latter is lower than the former.

The final exam is cumulative and mandatory. Make-up final exams will be available only in extraordinary circumstances with documentation from the office of the Dean of Students.

Missed Quiz Policy

A student who misses a quiz will receive a zero on it. If this is the only quiz the student misses, then the score of zero will be discarded at the end of the semester since it presumably will be the lowest of the student's quiz scores. In extenuating and uncontrollable circumstances, such as severe illness requiring medical attention or participation in College-sanctioned events precluding a student from taking a quiz, a student may be allowed to have a second missed quiz score of zero thrown out at the end of the semester, with the average of the remaining four quiz scores determining 15% of the student's course grade. In these cases, the student must present documented and credible evidence of such extenuating and uncontrollable circumstances. Also, in cases where a student misses one quiz due to documented extenuating circumstances and misses no other quizzes, that student will still be entitled to have the lowest of the remaining quiz scores discarded.

Opportunities for Extra Credit Work

No way! If Student A outperforms Student B on the common set of assessments, i.e., the exams, Student A deserves to be recognized with a higher course grade than Student B. If Student B were allowed to do extra credit, then he/she may end-up with the same or even a higher course grade than Student A, which would not be fair to Student A. This is not going to happen in my class. No way!

Drop/Add Deadline

If you find that you simply cannot tolerate looking at my bald head and big nose, listening to my creaky, Midwestern-accented voice, and being offended by my obnoxious personality, the deadline for drop/add is October 27.

Policy on Student Cheating

Use of any unauthorized outside sources when completing graded work will be deemed a violation of the College's Honor Code, and cases where this happens will be referred to the Honor Council.

Policy on Policy Implementation

The only fair way to apply policies is to apply them strictly. If there were any wiggle room at all in the implementation of policies, then some students would end-up getting sweetheart deals that other students do not get. This would not be fair. Policies in this course will be applied fairly. Beware of this.

Office and Office Hours

My office is 464 Tyler Hall, and I will hold office hours there from 11:00 – 12:00 on Mondays, Wednesdays and Fridays, and from 10:00-11:30 on Tuesdays and Thursdays. As those of you who have taken me before already know, I basically have an open door office hours policy. I prefer that students meet with me during my designated office hours, but it is not necessary that they limit themselves to these blocks of time. Normally, when I am in my office, even outside of office hours, I keep my office door open. I do that so that anyone so inclined can walk right on in and chat with me – no need to even knock. The exception to this practice is when I need to concentrate hard and think about something I am working on, in which case I keep my door closed. However, this does not happen very often, since I do not think very often.

Course Outline and Reading Assignments (Dates Tentative):

Reading assignments should be completed by the beginning of the week indicated, except for the first reading.

<u>Week of</u>	<u>Topic(s) and Reading Assignment</u>
Aug. 28	1. Introduction to the course. Assigned Reading: None.
Sept. 4	1. Refresher on introductory macroeconomics. Assigned reading: Text, Chap. 2.
Sept. 11	1. Unemployment. 2. Inflation Assigned Reading: Text, Chaps. 7 and 8. (Focus on the Beveridge Curve; cyclical vs. frictional unemployment; the natural rate of unemployment; unemployment hysteresis; Okun's Law; the costs of anticipated inflation and the redistributive effects of imperfectly anticipated inflation.)
Sept. 18	1. Consumption spending. Assigned reading: Text, Chap. 14. (Focus on the life cycle theory of consumption; the permanent income hypothesis; liquidity constraints and myopia; Ricardian equivalence and national saving.)
*The first quiz will be held during the first 40 minutes of class on Wednesday, September 20.	
Sept. 25	1. Investment spending. 2. The banking system and the money supply Assigned Reading: Text, Chaps. 15 and 16, and pp. 460-462. (Focus on net present value in relation to the firm's investment decision; M1, M2 and the monetary base; the functions of money; the transactions, precautionary and speculative demands for money; the relationship between bond prices and interest rates; the velocity of money and the transactions demand for money.)
*The second quiz will be held during the first 40 minutes of class on Wednesday, September 27.	
Oct. 2	1. More on the banking system and the money supply. 2. The Federal Reserve and the money supply. Assigned reading: Text, Chaps. 17 and 19. (Focus on the money multiplier; the multiplied change in credit and checkable deposits resulting from an open market operation; the balance sheet changes occurring during the expansion or contraction of bank lending and the money supply; credit rationing and the term structure of interest rates.)

*The first regular exam will be held on Wednesday, October 4.

Oct. 9 1. The production function. 2. The labor market. 3. Classical macroeconomic theory.
Assigned reading: Petersen and Estenson, *Income, Employment and Economic Growth*, 8th edition, Chaps. 2 and 3. These chapters will be available on electronic reserves at Swem Library. (Focus on pretty much everything in these two chapters.)

Oct. 16 1. Classical macroeconomic theory, continued.
Assigned reading: There are no additional assigned readings for this week.

*Class will not be held on Monday, October 16.

Oct. 23 1. The Keynesian critiques of classical macroeconomics. 2. The Keynesian view on macroeconomics.
Assigned Reading: Text, Chap. 10. (Focus on the consumption and saving functions; the aggregate demand function; the various saving-investment identities; the formula for equilibrium income; the spending multiplier; the tax multiplier; the government budget balance and the full employment budget balance.)

*The third quiz will be held during the first 40 minutes of class on Monday, October 23.

Oct. 30 1. The goods and money markets analyzed simultaneously. 2. The aggregate demand relationship.
Assigned reading: Text, Chap. 11. (Focus on the investment function; the construction of the IS curve; the determinants of the slope of the IS curve; shifts of the IS curve; the money demand function and what shifts it; money market equilibrium; the construction of the LM curve; the determinants of the slope of the LM curve; shifts of the LM curve; IS-LM equilibrium; analysis of shifts in IS and LM on equilibrium and the derivation of the AD curve.)

*The fourth quiz will be held during the first 40 minutes of class on Monday, October 30.

Nov. 6 1. More on IS-LM analysis. 2. Aggregate supply.
Assigned reading: Text, Chap. 5. (Focus on the construction of the AS curve; the rotation of the AS curve as move from the short-run to the long-run; AS-AD equilibrium and the analysis of macroeconomic policy and shocks on the AS-AD graph.)

*The second regular exam will be held on Monday, November 6.

Nov. 13 1. Aggregate supply. 2. The Phillips Curve. 3. Rational expectations and their implications.
Assigned reading: Text, Chap. 6. (Focus on the inflation-augmented Phillips Curve; rational expectations; wage inflexibility and the relationship between the Phillips Curve and AS.)

*The fifth quiz will be held during the first 40 minutes of class on Monday, November 13.

Nov. 20 1. New Keynesian economics. 2. The Taylor Rule. 3. The zero lower bound problem.
Assigned reading: Text, pp. 189-93, 261-8, 578-9, 598-602. (Focus on the Taylor Rule; the zero lower bound problem and New Keynesian economics.)

*The sixth quiz will be held during the first 40 minutes of class on Monday, November 20.

*Class will not be held on Wednesday, November 22.

Nov. 27 1. The neoclassical theory of growth in the long run.
Assigned reading: Text, Chap. 3. (Focus on growth accounting; the Solow residual; the neoclassical growth model; exogenous technological change and the neoclassical growth model and the Cobb-Douglass production function.)

*The third regular exam will be held on Monday, November 27.

Dec. 4 1. International trade and finance. 2. The exchange rate monetary policy transmission channel.
Assigned reading: Text, Chap. 13. (Focus on the international balance of payments; fixed and flexible exchange rate systems; the real exchange rate; the impact of changes in the real exchange rate on exports and imports; the purchasing power parity theory of the exchange rate in the long run; monetary policy and the exchange rate.)

*The final exam will be held from 9:00 a.m. – 12:00 p.m. on Thursday, December 14

The instructor reserves the right to modify the order and dates of material covered and the dates of the quizzes and regular exams, in cases where exigent circumstances require this to be done. Of course, any such changes will be announced in advance.