

University of Notre Dame
Department of Economics

Economics 30020 – Intermediate Macroeconomics Theory
Section 03
Fall 2018

Instructor: Prof. César Sosa-Padilla 3013 Jenkins Nanovic Hall +1 574-631-4784 (office) E-mail: csosapad@nd.edu Homepage: https://sites.google.com/site/cesarsosapadilla/	Times and Locations: TR 3:30pm-4:45pm DeBartolo Hall 210
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Course Description

Our broad objective is to develop the foundations of modern macroeconomic theory, which build explicitly on the principles of microeconomic theory, and use them for studying various macroeconomic issues. A key focus will be on the instruments by which fiscal policy and monetary policy can affect the economy. We will also review some of the history of macroeconomic thought. Additionally, we will review the leading theories of long-run growth. Throughout the course the emphasis will be on theoretical and logical rigor and policy applications.

The course presumes knowledge of both micro- and macroeconomics at the principles level, as well as elementary differential calculus and high school level algebra. It is helpful, although not necessary, to have taken Intermediate Microeconomics Theory (Econ 30010) or a similar course. You should also be comfortable with a spreadsheet program like Microsoft Excel.

Student Learning Goals

Upon successful completion of this course, you will be able to:

- use micro-founded models to analyze macro data.
- understand the effect of government policy on all sectors of the economy.
- identify the major facts about long-run growth and interpret the theories that rationalize them.
- apply the material learned to evaluate the effects and merits of alternative policies.

Textbook and Readings

The main textbook for this course is *Intermediate Macroeconomics*, a book currently being written by Julio Garin, Robert Lester and Eric Sims. The pdf for this book is freely available at: http://www3.nd.edu/~esims1/gls_int_macro.pdf. I will refer to it as *GLS*. The course will follow this book fairly closely, however I will also assign additional reading as we move along.

A great complement to the required textbook is *Modern Macroeconomics*, by Sanjay K. Chugh, MIT Press 2015. Some assigned readings will be from this book (I will refer to it as *MM*).

Apart from the above books, I may assign readings from newspapers or academic journals. I will make sure to post links to these readings on the course website.

Communication and Course Website

I will mostly use e-mail to make announcements regarding the course. Please check regularly your ND email account. Additionally, I will do my best to post all announcements on the course website.

All the materials for this course will be posted on Sakai. Your grades will also be uploaded via Sakai.

Office Hours

Office hours begin the week of Monday August 27th. I will have two sets of office hours:

- Mondays 2–3pm in 3013 JNH (my office).
- Wednesdays 2:30–3:30pm in 3002 JNH. This room is considerably bigger than my office and it will allow you to come in larger groups and will facilitate the discussion among all of us.

Teaching Assistants

The TA for the course is Kennedy Gallagher (Kennedy.E.Gallagher.133@nd.edu). Her office hours will also begin on the week of Monday August 27th. The days and locations are: Thursdays from 11am till noon, in B066 JNH.

Assessment and Grading Scheme

1. Your final grade (FG) will depend on your performance on the following assessments: a final exam (FE), two midterm exams (ME), and six problem sets (PS).
2. The final exam (FE) will be held on **Tuesday, December 11th 1:45–3:45pm**. The location for the FE is to be determined. The final exam schedule for fall classes can also be found on the Registrar's webpage at: <http://registrar.nd.edu/pdf/FEFall.pdf>. This date is determined by the University and there is nothing I can do about it. Please make note of the date now. I will not administer the exam early to anyone who has booked early travel home for the Christmas holiday.
3. The first midterm (ME₁) is scheduled for **Thursday, September 27th**. The second midterm (ME₂) is scheduled for **Thursday, November 8th**. The time and location for both midterms are the same as our usual class-time and classroom (3:30pm till 4:45pm in DBL 210).
4. Should you have a valid, University-approved conflict with any of the exam times, consult with me at least a week ahead of the exam date to make alternative arrangements in accordance with the university guidelines. Failure to resolve exam conflicts at least a week in advance may mean that no alternative arrangements will be available.
5. Your final grade (FG) will be computed as follows: the FE is worth 35% of the grade and each ME is worth 25% of the grade. The remaining 15% of the final grade comes from the 6 mandatory problem sets (PS), each worth 2.5%.
6. Assessments will be graded by the TA according to my instructions. All the assessments will be graded on the scale of 0–100%. If you need a clarification about an assessment grade please contact the TA first and then contact me if you are unable to resolve the problem.

7. The problem sets are graded on a check plus, check, check minus scale, where check plus is 100%, check is 85%, and check minus is 50%. Failure to turn something in results in a 0%. I will provide detailed, typed solutions to all problem sets after they have been turned in.
8. The FG may be curved. Grades may be curved only in the upward direction. My objective (in accordance with departmental norms) is for the average letter grade for the entire semester to be close to a B+. The following is a conversion for points into letter grades:

A	$FG \geq 94$
A-	$90 \leq FG < 94$
B+	$87 \leq FG < 90$
B	$83 \leq FG < 87$
B-	$80 \leq FG < 83$
C+	$77 \leq FG < 80$
C	$73 \leq FG < 77$
C-	$70 \leq FG < 73$
D	$65 \leq FG < 70$
F	$FG < 65$

9. **Regrading policy:** If, after going over your assignment and the assignment solutions, you believe some of your solutions were more correct than originally judged to be, you may submit, in writing, an exam regrade request. Your regrade request must specify which solutions(s) you believe were not graded appropriately and a substantive explanation for why you believe your solutions are more correct than originally judged (thus, regrade requests that consist of essentially nothing more than “I think I should have received more points on this question” will not be considered). Your entire exam is subject to regrade, so the overall grade may go up, down or remain unchanged. Exam regrade requests are due no later than 1 week (7 calendar days) after exams are returned.
10. All midterms and the final exams are **individual-work and closed-book**. Problem sets can be worked on in groups of up to 3 students. If you choose to work in groups submit only one solution for the entire group, but please make sure all your names and student IDs are clearly written on the front page of your submission.
11. There will be no make-up exams, no extensions of deadlines, and no extra credit assignments.
12. It is mandatory that students bring their Notre Dame student ID card to all exams.
13. A student who does not respect the time limits during a test will get a 10% penalty on that test.
14. All problem sets are to be submitted at the beginning of class on the due date.
15. Methods of evaluation for PSs, MEs, and FE: short-answer questions, numerical calculations, mathematical derivations, true-false, multiple choice, and fill-in-the-blank questions.
16. Your grades on problem sets and exams will be posted on Sakai. Please immediately report to the instructor any discrepancy between the posted and actual grades.

Contacting the Instructor

My office hours are listed on page 2. Please feel free to come to these office hours to seek help or to discuss matters related to the course. Please note that there is no guarantee I will be available to assist you (even if I am in my office) if you drop by at random times outside of my designated office hours... but I will do my best!

If my scheduled office hours and those of the TA are in conflict with your schedule, you can request an appointment with me via email at csosapad@nd.edu. Please ensure that your email has subject line starting with “Intermediate Macroeconomics,” – this will minimize the risk of your email being overlooked or perceived as spam.

Guidelines and Expectations

Students are expected to come to class and to participate in various ways in the lectures: either by asking questions, by pointing out errors on the slides, or by answering questions I ask during lectures.

Most of the time, I will deliver my lectures using slides. The slides will be posted on the course website after classes (and if I can, even before classes). Occasionally, I will use the blackboard/whiteboard to cover additional material. The slides are not lecture notes. They mainly provide an outline of what will be discussed in class.

A reading schedule is outlined in this syllabus (see below). Students are assumed to have read the material ahead of the lectures. Students should NOT expect me to talk about every single textbook page. The lectures will focus on the most important and challenging parts of the material. More basic material will be left for the students to study on their own. I will refer to this more basic material in the lectures, hence the need to read ahead to understand the lectures.

Honor Code

Students are expected to understand and abide by the principles and procedures set forth in the University of Notre Dame Academic Code of Honor (<http://honorcode.nd.edu>) and uphold the pledge that “As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty.”

Important Dates

August 23: first day of classes.

August 27: office hours start.

September 6: PS_1 is due (at the beginning of the class).

September 25: PS_2 is due (at the beginning of the class).

September 27: Midterm Exam 1 (in class).

October 11: PS_3 is due (at the beginning of the class).

October 15 – 19: Fall break.

October 30: PS_4 is due (at the beginning of the class).

November 8: Midterm Exam 2 (in class).

November 20: PS_5 is due (at the beginning of the class).

November 21 – 23: Thanksgiving break.

December 06: PS_6 is due (at the beginning of the class) and last class!.

December 11: Final Exam.

Course Outline

The tentative (and intentionally ambitious) outline for the course is as follows:

1. Introduction (approximately 1 lecture)
 - (a) Math Review (*GLS* Appendix A and *MM* Ch. 1 and Appendix)
 - (b) Basic economic concepts (*GLS* Ch. 1)
 - (c) What is a model (*GLS* Ch. 2 and Lucas, Robert E. “What economists do.” *Journal of Applied Economics* 14.1 (2011): 1-4)
 - (d) Brief history of economic thought(*GLS* Ch.3, and *MM* Ch. 10–14.)
2. Economic Growth (approximately 5 lectures)
 - (a) Stylized facts (*GLS* Ch. 4)
 - (b) Solow growth model (*GLS* Ch. 5-6)
 - (c) Cross-country differences in standards of living (*GLS* Ch. 7)
 - (d) Overlapping generations (*GLS* Ch. 8)
3. Consumption (approximately 5 lectures)
 - (a) Two period consumption-saving problem (*GLS* Ch. 9)
 - (b) Multi-period consumption-saving problem (*GLS* Ch. 10)
 - (c) Endowment Economy Equilibrium (*GLS* Ch. 11)
 - (d) Fiscal policy and Ricardian Equivalence (*GLS* Ch. 13.1-13.2)
4. Neoclassical Business Cycle Model (approximately 6 lectures)
 - (a) Production and labor supply (*GLS* Ch. 12)
 - (b) Money (*GLS* Ch. 14)
 - (c) Neoclassical business cycle model (*GLS* Ch. 17-18)
 - (d) Taking the model to the data (*GLS* Ch. 19)
 - (e) Money, inflation, and interest rates (*GLS* Ch. 20)
 - (f) Critiques (*GLS* Ch. 21)
5. New Keynesian Model (approximately 6 lectures)
 - (a) IS-LM-AD model (*GLS* Ch. 23)
 - (b) IS-LM-AD-AS model (*GLS* Ch. 24-25)
 - (c) Dynamics and the Phillips Curve (*GLS* Ch. 26)
 - (d) Monetary Policy and the Zero Lower Bound (*GLS* Ch. 27-28)
6. Topics in Finance and Macro (approximately 3 lectures)
 - (a) Basics of banking (*GLS* Ch. 30)
 - (b) Liquidity transformation and bank runs (*GLS* Ch. 32)
 - (c) Financial crises and the Great Recession (*GLS* Ch. 36)

At certain points in the course it may make good sense to modify the course content described in this syllabus. The instructor reserves the right to modify elements of the course and will notify students accordingly (in class and post any changes in the course website).