

Econ 4353
Intermediate Macroeconomics
FALL 2019

Instructor: Prof. Aaron Hedlund (hedlunda@missouri.edu – include “4353” in subject)

Time and Location: T, R 12:30pm – 1:45pm, Agriculture Bldg 2-16

Office Hours: T, R 11:00am – 12:30pm, 226 Professional Building

Canvas: <https://missouri.instructure.com>

Dropbox Link: https://www.dropbox.com/sh/r3k6r8f8ve8owbk/AACMgt7XZTVcnliCsijFK_1Va?dl=0

Final Exam: Tuesday, December 10, 12:30pm – 2:30pm

Overview and Objectives

Course Description

This course will take you deeper into the methods and lessons of modern macroeconomic theory. Methodologically, we will cover the basics of household and firm decision-making, dynamic optimization, and general equilibrium. These tools are necessarily mathematical in nature, but we will build up this architecture gradually.

With these tools in hand, we will cover a mix of traditional topics, such as foundational theories of what drives economic growth and business cycles, the effects of fiscal and monetary policy, etc, *as well* as more timely topics that appear on the front pages of the Wall Street Journal and New York Times. Such topics include, but are not limited to, housing crises, sovereign default episodes, the macroeconomic drivers and consequences of inequality, etc.

Course Objectives

My goals for you this semester are as follows:

1. That you be able to engage in substantive discussions of macroeconomics and make informed judgments about the causes, implications, and possible policy responses to various economic phenomena.
2. That you further develop your economic intuition and improve your mastery of the technical skills used in economic analysis.
3. That you mature in your understanding of the role of economics in society.

Prerequisites

We will regularly study the static and dynamic properties of economic models using systems of equations that require algebra and calculus. Although we will review the necessary math, prior completion of intermediate microeconomics and calculus is strongly recommended.

Resources

Required Text

The course will utilize a combination of materials. The only book you need to obtain is *Macroeconomic Fluctuations and Policies* by Edouard Challe. Other materials I will make available on Dropbox (see the link above).

Assessment

Course grades are determined as follows:

- Assignments: *UNGRADED* (for practice only)
- Quizzes x5: 30% (10% for each of your best 3)
- Midterms x2: 40% (25% higher scoring exam, 15% lower scoring exam)
- Final Exam: 30%

Assignments There will be periodic ungraded assignments for practice purposes only. Answers will be provided after the “due date” for each assignment.

Quizzes There will be five quizzes—two before each midterm, and one between the second midterm and the final—but only your top three scores will count towards your semester grade. Except under extenuating circumstances, there are **no make-up quizzes**.

Midterms There will be two **cumulative** midterms. When calculating your semester grade, I will assign a 25% weight to your higher scoring exam and a 15% weight to your lower scoring exam. Except under extenuating circumstances, there are **no make-up exams**. If you miss an exam, your other exam will count towards 25% of your semester grade, and the other 15% weight will be added to the final exam. If you know ahead of time that you will miss both exams, please contact me so that we can formulate an appropriate arrangement.

Final Exam The final exam will be cumulative and will account for 30% of your grade.

Grading Scale Quizzes and exams will be graded according to a fixed grading scale. In the event of poor class performance, I may then apply an *upward* curve to bring up the class average. In other words, there is no circumstance in which you will be *hurt* by a curve. If you outright earn a particular grade, you're guaranteed to get it. There will be **no rounding**.

The grading scale is as follows: A+ (97 – 100), A (93 – 96.99), A- (90 – 92.99), B+ (87 – 89.99), B (83 – 86.99), B- (80 – 82.99), C+ (77 – 79.99), C (73 – 76.99), C- (70 – 72.99), D+ (67 – 69.99), D (63 – 66.99), D- (60 – 62.99), F (<60).

Course Topics

1. Introduction and Math Review

2. The One-Period Closed-Economy Model

- Consumer Behavior: The Labor-Leisure Tradeoff
- Firm Behavior: Profit Maximization
- Static Competitive Equilibrium
- Economic Efficiency and the “Invisible Hand”
- Taxes and Government Spending: “Wasteful” Purchases vs. Public Capital

3. Economic Growth

- Malthusian Pre-Industrial Revolution Stagnation
- Industrialization, Capital Accumulation, and the Solow Model of Growth
- Innovation and Endogenous Growth
- *Research in Focus: What has been happening to entrepreneurship and the business start-up rate in the United States?*

4. Dynamic Consumer Behavior and Savings

- Intertemporal Consumption-Savings Decisions
- Dynamic Competitive Equilibrium
- Ricardian Equivalence
- A First Look at Credit Frictions: Interest Rate Wedges and Borrowing Constraints

- Social Security

5. Credit Market Imperfections

- Portfolio Choice: Introducing Multiple Assets and Collateralized Debt
- Limited Commitment: Bankruptcy, Foreclosure, and Sovereign Default
- *Research in Focus: How does the distribution of household wealth and debt impact economic outcomes?*
- *Research in Focus: Is there any limit to how much governments can borrow?*

6. An Introduction to Business Cycles

- Household, Firm, and Government Behavior
- Dynamic Competitive Equilibrium
- The Dynamic Effects of Government Spending, Taxes, and Productivity
- The Real Business Cycle Model

7. Workhorse Business Cycle Models: Sticky Prices, Market Frictions, and Heterogeneity

- The New Keynesian Model: Introduction, Monetary Policy, and Fiscal Policy
- Liquidity Traps and Quantitative Easing
- Housing and the Business Cycle
- *Research in Focus: Does Inequality Matter for Business Cycles?*

8. Miscellaneous Topics (?): TBD

Approximate Quiz and Exam Dates

These are only an estimate and not set in stone! Exact dates will be announced repeatedly in class and posted on Canvas.

- Quiz 1: September 5
- Quiz 2: September 17
- Midterm 1: September 24
- Quiz 3: October 10

- Quiz 4: October 29
- Midterm 2: November 12
- Quiz 5: December 5
- **Final Exam: Tuesday, December 10, 12:30pm – 2:30pm**

MU Policies

Academic Integrity

Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

Accommodation of Disabilities

Students with disabilities:

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please register with the Office of Disability Services (<http://disabilityservices.missouri.edu>), S5 Memorial Union, 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for students with disabilities, click on "Disability Resources" on the MU homepage.

Intellectual Pluralism

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the Departmental Chair or Divisional Director; the Director of the Office of Students Rights and Responsibilities (<http://osrr.missouri.edu>).

edu/); or the MU Equity Office (<http://equity.missouri.edu/>), or by email at equity@missouri.edu.

All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

Academic Inquiry, Course Discussion, and Privacy

University of Missouri System Executive Order No. 38 lays out principles regarding the sanctity of classroom discussions at the university. The policy is described fully in Section 200.015 of the Collected Rules and Regulations. In this class, students may make audio or video recordings of course activity unless specifically prohibited by the faculty member. However, the redistribution of audio or video recordings of statements or comments from the course to individuals who are not students in the course is prohibited without the express permission of the faculty member and of any students who are recorded. Students found to have violated this policy are subject to discipline in accordance with provisions of section 200.020 (https://www.umsystem.edu/ums/rules/collected_rules/programs/ch200/200.020_rules_of_procedures_in_student_conduct_matters) of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.

Title IX

University of Missouri policies prohibit discrimination on the basis of race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, pregnancy, age, genetic information, disability and protected veteran status. Discrimination includes any form of unequal treatment such as denial of opportunities, harassment, and violence. Sex-based violence includes rape, sexual assault, unwanted touching, stalking, dating/interpersonal violence, and sexual exploitation.

If you experience discrimination, you are encouraged (but not required) to report the incident to the MU Office for Civil Rights & Title IX. Learn more about your rights and options at civilrights.missouri.edu or call 573-882-3880. You also may make an anonymous report online.

Students may also contact the Relationship & Sexual Violence Prevention (RSVP) Center, a confidential resource, for advocacy and other support related to rape or power-based personal violence at rsvp@missouri.edu or 573-882-6638, or go to rsvp.missouri.edu.

Both the Office for Civil Rights & Title IX (<http://civilrights.missouri.edu/>) and the RSVP Center (<http://rsvp.missouri.edu/>) can provide assistance to students who need help with academics, housing, or other issues.