

Intermediate Macroeconomic Theory

Economics 232

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The goal of this course is to study how a variety of decisions are made in an economy, which then give rise to various aggregate outcomes. The outcomes or observations that we want to understand are, for example, the interest rate, inflation rate, technological change, rate of growth, or the unemployment rate. The two main topics of this course that we wish to study are business cycles, and aggregate economic growth.

To study these phenomena, it is necessary to study the decisions made by agents, such as consumers or firms, that give rise to these outcomes. Furthermore, it is also important to know how various factors may influence these economic decisions. Only when we know how decisions are made, can we hope to better understand some of the things that we observe.

Almost all of the phenomena that we will study will be inherently *dynamic*, which means that they reflect things that change over time. Hence we want to also study how decisions are made by agents over time as well.

I expect that you will have the normal prerequisites for this course, which are introductory macroeconomics, and one semester of calculus. Many of the lectures will utilize graphical or algebraic techniques, but calculus will occasionally be used as well. As we will be covering a lot of material, I will not be devoting time to reviewing these concepts with you.

This syllabus is an attempt to list what material we will cover, and what is expected of you throughout the term. Some changes will be made to this outline as we go, so you should alert for changes that are made. Since this syllabus will be posted on the *Oak* web site, you should check it regularly (weekly) to make sure you are informed of any modifications.

Prerequisites

Students enrolled in this course must have taken Economics 100 and 101, as well as one semester of calculus. Furthermore, it is advisable that students take Microeconomics 231 prior to taking this class.

Office Hours

My office hours are from 3:00-4:00pm, on weekdays. I will announce the exact location soon. I am also willing to meet with students who make an appointment with me.

Textbook

The textbook for this course is *Macroeconomics*, by Stephen D. Williamson, third edition, New York: Addison-Wesley.

Grading

The final grades will be derived from the grades on the midterm exams, the final exam. The midterm exam with the lowest grade will have a weight of 10%, while the remaining midterm exams will count 30% each. The breakdown for how the final grades will be determined is listed as follows:

Best Midterm examination 30%
Second best Midterm examination 30%
Worst Midterm examination 10%
Final Examination 30%

Examinations

There will be 3 midterm examinations, and a final exam. The dates for these will be as follows:

First Midterm examination Friday, June 13th
Second Midterm examination Friday, June 20th
Third Midterm examination Friday, June 27th
Final Examination (1:00-3:00pm) Thursday, July 3rd

Anyone who misses an examination without prior permission to do so will be awarded a grade of zero. Under extraordinary circumstances a makeup examination can be given to those students who cannot attend the regular exam. However, this is likely to be a more difficult exam, and therefore students are strongly discouraged from requesting a makeup.

Examinations are to be written in pen, and not pencil.

There will be no makeup or alternative exam given for the final examination. Do not make plans that do not permit you to write this exam at the stated time. Anyone who fails to write this exam will fail the course.

Study and Preparation

Attendance in class is a necessary part of learning this material. Invariably, students who miss classes fall to the bottom of the grading ladder. Reading the textbook is not enough to compensate for missing the lectures. The classroom lectures will deviate from the text, and you can only be aware of the appropriate material if you attend the lectures.

Some material in the text will be skipped in the lectures, while other material will be studied in more detail than is presented in the text. Announcements concerning which material in the text will be emphasized or ignored, will be made in the class. **Students are responsible for all announcements made in the class. Students are also responsible for all subsequent changes in the syllabus that are announced. Missing a lecture is no excuse.**

Assignments

There will be periodic assignments that will be assigned to you. These will not count toward your final grade. Nevertheless, it is advisable that you do these exercises because they will certainly make you better equipped to answer questions on the exam. These assignments will be posted on Oak, under the “Assignments” section.

Course Outline

Introduction: What is Economics all About?

- Chapter 1

Measurement Issues

- Chapter 2

Business Cycles and Measurement

- Chapter 3

Consumer and Firm Behavior

- Chapter 4

A Closed-Economy One-Period Macroeconomic Model

- Chapter 5

A Two-Period Model, Ricardian Equivalence, and Social Security

- Chapter 8
- “The Deficit Chicken Hawks”, by Robert Samuelson

A Real Intertemporal Model with Investment

- Chapter 9 (except pages 323-326)
- "A Primer on the Nature of Business Cycles", by G.W. Huffman

Economic Growth

- Chapter 6
- “On the Relative Costs of Business Cycles and Growth,” notes.
- "These are the Good Old Days," Reprint from the 1993 Annual Report of the Federal Reserve Bank of Dallas. (<http://www.dallasfed.org/htm/pubs/pdfs/anreport/arpt93.pdf>)
- "The Churn," Reprint from the 1992 Annual Report of the Federal Reserve Bank of Dallas. (<http://www.dallasfed.org/htm/pubs/pdfs/anreport/arpt92.pdf>)

Income Disparity and Economic Growth

- Chapter 7

A Monetary Intertemporal Model

- Chapter 10

International Trade in Goods and Assets

- Chapter 13