

EC 202 C1 – Intermediate Macroeconomic Analysis
Spring 2012: Mondays, Wednesdays and Fridays, 12:00-1:00pm, CAS 326

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Description: This is the second macroeconomics course in the core economics curriculum. Our broad subjects of investigation will be the determination of aggregate output, inflation and employment, and associated fiscal and monetary policy issues. Our analysis will be carried out mostly within the theoretical framework known as the “Neoclassical Synthesis”, which was the dominant intellectual approach during the “golden age of macroeconomics”, from the aftermath of the Great Depression to the early 1970s. Though academic macroeconomics has advanced in different directions over the last few decades, this approach remains highly relevant in many policy discussions, and a comprehensive understanding of it and its shortcomings is still an essential component of a modern economics education. The more recent “micro-foundations” approach to macroeconomics and its connections with the traditional approach will be discussed briefly towards the end of the semester. Regrettably, there will not be time for a very detailed study of national accounting, which is also a valuable component of an economics education, but which cannot be given adequate coverage in a course like this one. The course will steer well clear of newspaper discussions of common macroeconomic indicators, though by the end of the semester you will be able to look at these discussions and indicators with deep insight. Lecture material will be presented primarily on the blackboard.

Prerequisites: The formal prerequisite for this course is the core introductory macroeconomics course or its equivalent. If you somehow managed to register for the present class without holding the prerequisite, drop it immediately. The course will make intensive and unapologetic use of algebra, symbolic manipulation and graphing consistent with a normal high school mathematics curriculum. If you do not feel that you can become comfortable with this over the first few weeks of the semester, drop the class immediately. Neither the book nor the class will use any calculus.

Textbook: The required textbook is *Macroeconomics, 5th Updated Edition* by Olivier Blanchard. This is an excellent resource, and the course will follow it closely. I have arranged with the publishers to have a customized paperback version printed, containing only the chapters we will be covering this semester. This is the version available in the bookstore, which I encourage you to purchase. If you are lucky enough to find or have a used copy of the same edition, it will be virtually identical to the custom printing, with the exception of some chapter numbering and the inclusion of extra material that we will not be covering. The only difference between the 5th Edition and the 5th Updated Edition is the inclusion of a final chapter on recent events, which is included in the customized version and is something we will cover at the end of the semester. I have no idea how different the 5th Updated Edition is from other earlier editions, so if you use one, it is at your own risk. One copy of the custom-printed textbook will be

available on 2-hour reserve at Mugar Library. The bookstore has also ordered some copies of the study guide to accompany the 5th edition of the textbook, and this is listed as a “Recommended” resource. I have heard that this guide is helpful in terms of reinforcing concepts and providing extra practice, but I have no personal experience with it. The study guide is a completely optional resource.

Grading: The final number grade will be comprised of the final exam score (54%) and two mid-term exam scores (23% each). Each mid-term exam will be 50 minutes in length and will cover a limited amount of material (with precise details announced in advance). The final exam will be 120 minutes in length and will cover material from the entire semester.

Practice Problems: About once per week, a set of practice problems will be assigned from the end-of-chapter problems in the textbook and, occasionally, from selected external resources. These will mostly be numerical applications of the models we will work with in class. Solutions will be posted on the course website within a week of the problems being assigned. Though they will not be graded, it cannot be stressed enough that struggling through these sets of practice problems before looking at the solutions and then comparing your answers with the solutions afterwards is integral to your success in the class. The problems have been carefully chosen and designed not only to give you practice with the mechanics of the models we will be working with, but also to aid you in developing and exercising your intuition. Problems on the mid-term and final exams will be broadly similar to the assigned practice problems.

Attendance: I will not take attendance in class, but I will know if you are not present. I am required to report frequent absences to the College of Arts and Sciences. More to the point, though, there is a very strong correlation between regular attendance and doing well in the course. I very highly recommend that you come to all classes, arrive on time, and be prepared to concentrate and take detailed notes. If you miss a class for any reason, it is your responsibility to obtain lecture notes from fellow classmates.

Communication: I will occasionally send e-mail to the class to make general announcements or alert you that I have posted something on the website. In order to receive these messages, you should make sure that you are officially registered for the course, that the university has your e-mail address recorded correctly, and that you check your BU e-mail address regularly. I will generally respond briefly to e-mail questions within 24 hours, but will refer you to office hours if a lengthy response is necessary. I will generally not be available by phone outside office hours, so sending me an e-mail is the best way to get in touch with me. However, you should not assume that I will be able to respond to your questions immediately. It is strictly forbidden to attempt to contact me through any phone numbers or e-mail addresses besides the ones provided in this syllabus.

Missed Exams: If any exam is missed without prior official notification of a medical, religious or other valid, university-sanctioned reason, the student will receive a grade of zero on the exam. Students unable to write the final exam at the scheduled time for a valid reason will be allowed to write an equivalent exam at an agreed-upon alternative time. Students unable to write one of the mid-term exams at the scheduled time for a valid reason will have the weight shifted to the

final exam in the grading scheme. Travel arrangements and busy schedules do not constitute valid reasons.

Academic Conduct: You are responsible for familiarizing yourself with the Boston University Academic Conduct Code, available at <http://www.bu.edu/academics/academic-conduct-code/>, and abiding by its principles. Please show respect for your institution, your fellow students and yourself by doing so and behaving honestly and honorably in this and all classes. Any infractions will be dealt with in strict accordance with the Code. Note that graphing and other programmable calculators are not allowed to be used during the exams, and neither is it allowed to share calculators during the exams. Using any electronic device other than a non-programmable scientific calculator or sharing calculators during an exam will be deemed a violation of the Academic Conduct Code under Section III.A., and will be dealt with in the same manner as any other violation.

Schedule

The goal is to cover the short run and most of the medium run before the first mid-term exam. The remainder of the medium run, the long run, and parts of the open economy section will then be covered between the first and second mid-term exams. This will leave the last several class meetings for additional topics.

The Short Run (Chapters 3-5)

- Equilibrium in the market for goods and services
- Equilibrium in the market for cash
- The *IS-LM* model

The Medium Run (Chapters 6-7)

- Equilibrium in the labor market
- From *IS-LM* to *AS-AD*
- Adjustment to the natural level of output
- Aggregate supply shifts

The Long Run (Chapters 10-12)

- The Solow growth model and the steady state
- Technological progress and growth

The Open Economy (Chapters 13-15 [18-20 in unabridged edition])

- Imports, exports and exchange rates
- The interest parity or no arbitrage condition
- The open-economy *IS-LM* model

Selected Topics (Chapters and specific topics will be announced in class.)

- Inflation and the Phillips Curve
- Modern macroeconomics and the evolution of macroeconomic thought
- The recession of 2008-9 and its aftermath

Exam Dates

First Mid-term Exam: Wednesday, February 29, 2012 (in class)

Second Mid-term Exam: Wednesday, April 11, 2012 (in class)

Final Exam: Tuesday, May 8, 2012, 3:00-5:00pm, in classroom*

* This is taken from the standardized final exam matrix, and is subject to change. You are responsible for checking your own final exam schedule.

Recipe for Success

1. Attend every class, arriving on time and thinking actively while taking good notes. Ask questions when something is not clear.
2. After class, read the chapters of the textbook corresponding to the material that was covered. Come to office hours if there are some things that are still not clear.
3. Do the practice problems when they are assigned, with pencil, paper and eraser. If you have difficulties, start over and be persistent. If you continue to have difficulties, consult your notes and the textbook, and collaborate with classmates. If all else fails, come to office hours. Do not look at the solutions until you have gotten through the problems completely. When you do look at them, read them carefully and compare them with your answers.
4. When you are preparing for tests and the final exam, do the problems over again, but do not be satisfied with simply completing them mechanically. Think of real-world economic phenomena that the theoretical models can help you explain. Change numbers in the equations and do the problems again. Try to come up with your own questions, and answer them by yourself or in a group.