

## **Intermediate Macroeconomic Theory** (revised)

### **1. INTRODUCTION**

Economics 302 is a course in intermediate macroeconomic theory and policy analysis. Students should have a familiarity with algebra (solving simultaneous equations). Knowledge of basic calculus (partial and total differentials) and introductory statistics (linear regression) will be helpful, but not required. The main part of the course will focus on the IS-LM framework. However, considerable attention will be devoted to international aspects, such as the trade deficit, international capital flows and the exchange rate, as well as domestic issues such as the current financial/economic crisis.

Students enrolling in this course should be comfortable with algebraic and graphical analysis. It requires sustained immersion in relevant economic theory, and does not present a primarily descriptive or historical approach.

### **2. OFFICE HOURS**

Professor Menzie Chinn  
MW 4-5  
Social Sciences 7418  
Phone: 262-7397  
e-mail: [mchinn@lafollette.wisc.edu](mailto:mchinn@lafollette.wisc.edu)

Updated information will be posted on the course website,  
[http://www.ssc.wisc.edu/~mchinn/web302\\_f10.html](http://www.ssc.wisc.edu/~mchinn/web302_f10.html).

### **3. SCHEDULE AND READINGS**

The textbook is Robert Hall and David Papell, *Macroeconomics: Economic growth, fluctuations, and policy*, 6th Edition (Norton, 2005) available at the University Bookstore. Note that older editions of the textbook are not substitutable for the current edition. The textbook website also has some additional materials: <http://www.wwnorton.com/college/econ/hat6/>  
Additional required readings are located under the “Required On-Line Readings” section of the course website. Commentary on current economic conditions at <http://www.econbrowser.com> will also be referred to on occasion. Below is a list of reading assignments, which is subject to revision.

| <b>LEC.</b> | <b>DATES</b> | <b>TEXT</b> | <b>Web</b>           | <b>TOPICS</b>                         |
|-------------|--------------|-------------|----------------------|---------------------------------------|
| 1           | 9/8          | 1, 2        | NBER                 | Introduction/Measuring performance    |
| 2           | 9/13         | 3           | Wu                   | Employment                            |
| 3-5         | 9/15-22      | 7           | CBO, Keynesian       | Short run fluctuations                |
| 6-10        | 9/27-10/11   | 8           | ISLM                 | notes IS-LM                           |
| <b>9</b>    | <b>10/6</b>  |             |                      | <b>Midterm I</b>                      |
| 11          | 10/13        | 13          | PCO notes            | Govt. spending, taxes, deficits       |
| 12-13       | 10/18-20     | 14          |                      | Monetary system                       |
| 14          | 10/25        |             | Credit channel notes | Credit channel                        |
| 15-16       | 10/27-11/1   | 9           | ADAS notes           | Economic fluctuations model           |
| 17-18       | 11/3-8       | 10          |                      | Consumption                           |
| 19-21       | 11/10-17     | 11          |                      | Investment                            |
| 20-25       | 11/15-12/1   | 12          | Open economy notes   | Foreign trade & the exchange rate     |
| <b>21</b>   | <b>11/17</b> |             |                      | <b>Midterm II</b>                     |
| 26          | 12/6         | 15          |                      | Micro foundations of price stickiness |
| 27          | 12/8         | 16          |                      | Macro policy model/Taylor Rule        |
| 28-29       | 12/13-15     | 4           |                      | Long run economic growth              |

### **12/20 (Monday) 2:45 PM FINAL EXAM**

#### Readings:

NBER BCDC, "Determination of the December 2007 Peak in Economic Activity" (December 11, 2008).  
Wu, "Two Measures of Employment: How Different Are They?" *FRBSF Economic Letters* 2004-23 (August 27, 2004)  
CBO, The Budget and Economic Outlook: Fiscal Years 2010 to 2020 (August 2010).  
Notes on the Keynesian Model  
Notes on IS-LM  
Notes on Portfolio Crowding Out (PCO)  
Notes on the Credit Channel  
Notes on Aggregate Demand and Aggregate Supply and Supply Shocks  
Weidner and Williams, Update of "How Big Is the Output Gap?" *mimeo* (May 2010)  
Notes on the Open Economy

#### **4. GRADING**

Letter grading is determined as follows:

|     |                              |
|-----|------------------------------|
| 20% | Problem sets                 |
| 50% | Two midterm exams (25% each) |
| 30% | Final examination            |

There will be *no* make-up midterm exams. Missed midterm exams will increase accordingly the weight assigned to the other midterm and the final exam, provided you have either (1) a valid physician's note attesting to the fact that you have a health issue which prevents you from taking the exam, or (2) contacted your TA and/or the instructor with a reason, which is approved *prior* to missing the exam. Other cases are subject to the instructor's discretion. The problem sets are an integral part of the course. Assignments will be handed into me in lecture on the appropriate date. Late assignments will not be accepted for credit. Although the problem sets do not constitute a large

portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion, as they provide valuable information regarding your grasp of the concepts.

## **5. ECONOMICS DEPARTMENT GRIEVANCE PROCEDURE**

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. Before utilizing the formal steps of this procedure, we ask that you utilize two other means of addressing your comments: our regular course evaluations, anonymous and confidential commentaries solicited at the end of each semester in every Economics class, and also by direct communication with the instructor or teaching assistant involved. The formal grievance procedure is designed for situations where neither of these channels is appropriate and where one or both of these have been tried.

If you wish to file a grievance, you should go to Room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your addresses, and a phone where you can be reached. The Department will investigate comments fully and respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. Your street and e-mail addresses are necessary for providing a written response.

## **6. Misconduct Statement**

Academic integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation; it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for re-grading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures (<http://students.wisc.edu/saja/misconduct/UWS14.html>):

1. The penalty for misconduct in most cases will be removal from the course and a failing grade.
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator (Mary Beth Ellis: [mellis@ssc.wisc.edu](mailto:mellis@ssc.wisc.edu)) and your identity will be kept confidential.

7.8.2010  
e302syllabus\_f10.doc (rev 25.8.2010)