

Intermediate Economics II: Macroeconomics

Economics 512

Tues/Thurs 12:00-1:15

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RAWL 2082

Purdue University
Krannert School of Management
Department of Economics

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Prerequisites

Working knowledge of the following fields of Mathematics (the course opens with a brief review of mathematics):

- **Multivariate calculus**
Free online material for this course can be found at <http://www.saylor.org/courses/ma103/>
- **Matrix algebra**
Free online material for this course can be found at <http://www.saylor.org/courses/ma211/>

Course description

The course will introduce the major economic models and analytical tools used by macroeconomists and policymakers to assess and implement macroeconomic policies. The goals of policymakers are twofold: efficiency and growth. In order to achieve these goals, policymakers must understand how the policies, combined with other institutional features present in the economy, affect the macroeconomic variables. This requires a theory about how the decisions of consumers and firms are affected by prices, policy changes, and shocks, and how market prices respond to policy changes and shocks.

For this reason, the course focuses on macroeconomic models that are micro-founded, meaning that decisions are made at the household and firm level by households and firms that solve constrained optimization problems.

Unlike traditional courses in macroeconomics, this course introduces the both the leading business cycle models plus financial models. These different types of models are required in order to make sense of the global financial crisis and economic recession of 2007-2008.

Learning outcomes

- Analyze economic data and synthesize the findings into coherent policy recommendations.
- Develop the necessary tools of economic modeling and apply the theoretical concepts to applications from the real world.
- Design policy to be able to confront an economic friction (or combination of economic frictions) and understand the role of policy in mitigating economic recessions.

Course website

All of the course material can be found on the Sharepoint site created for the course:
<https://intra.krannert.purdue.edu/programs/ms-econ/2015/51200/Pages/Home.aspx>

The website contains the following course materials:

- **Video lectures**
The video lectures contain all the material for the course.
- **Course text**
The course text is a complement to the video lectures, containing all models and end-of-chapter exercises.
- **Homework problems**
The list of homework questions will be posted on the Sharepoint site. After the homework problems are submitted, I will post video solutions on the site as well.
- **Case studies**
The case study assignments will be posted on the Sharepoint site.
- **Quizzes**
The multiple-choice quizzes can be accessed on the Sharepoint site.

Course structure

Section 1: Macroeconomic Accounting

Mathematical Preliminaries and Chapter 1 in the course text.

Watch videos in Mathematical Preliminaries and Chapter 1: Macroeconomic Accounting.

Tuesday, January 12	Class lecture	Course introduction
Thursday, January 14	No class meeting	
Tuesday, January 19	Homework 1 Review Session	
Thursday, January 21	Homework 1 due (by 12 noon) Students must attend class Case study selection	Students randomly assigned to groups for the case study assignment
Friday, January 22	Quiz 1 due (by 10 pm)	

	Case study selection	Students randomly assigned to groups for the case study assignment
Tuesday, March 8	Case Study Presentation I	(half the groups)
Thursday, March 10	Case Study Presentation II	(half the groups)
Saturday, March 12- Sunday, March 20	SPRING BREAK	
Tuesday, March 22	Homework 4 Review Session	
Thursday, March 24	Homework 4 due (by 12 noon)	
Friday, March 25	Quiz 4 due (by 10 pm)	

Section 5: Economic Recessions

Chapters 5-7 in the course text.

Watch videos in Chapter 5: Real Business Cycle Model, Chapter 6: New Keynesian Model, and Chapter 7: Leverage Cycle Model, including History and Background.

Tuesday, March 29	No class meeting	
Thursday, March 31	No class meeting	
Tuesday, April 5	No class meeting	
Thursday, April 7	Students must attend class	Case study selection
		Students randomly assigned to groups for the case study assignment
Tuesday, April 12	Homework 5 Review Session	
Thursday, April 14	Homework 5 due (by 12 noon)	
Friday, April 15	Quiz 5 due (by 10 pm)	
Tuesday, April 19	Case Study Presentation I	(half the groups)
Thursday, April 21	Case Study Presentation II	(half the groups)
Tuesday, April 26	No class meeting	
Thursday, April 28	No class meeting	

Friday, April 29

Economic Recessions Paper due (by 10 pm)

Final Exam

TBA: between Monday, May 2 and Saturday, May 7

Methodology

The course will be based on a series of online lectures and supported by the course text. The course material is reinforced by:

1) Homework

Homework problems are assigned for Sections 1, 3, 4, and 5.

Homework problems can either be submitted as a hard copy in-class or can be uploaded as a pdf on the course Sharepoint site. Submission via any other method is not permitted and will result in a score of 0. It is permissible to have a fellow classmate submit your hard copy.

Each exercise is graded on a 5-point scale based on correctness, with partial credit given as a strictly increasing function of effort.

Solutions to selected homework problems will be made available as videos on the course website.

2) Quizzes

For Sections 1, 2, 3, 4, and 5, students will complete an online quiz. The quiz can be accessed on the course Sharepoint site.

Students have as many minutes as they want to complete a quiz. They can even return at a later time to change an answer or complete unanswered quizzes.

For the quizzes, you are free to use any course materials, but are forbidden from using assistance from another human being.

3) Economic Recessions Paper

The course paper on Economic Recessions is due by 10 pm on Friday, April 29. The paper must be submitted as a pdf on the course Sharepoint site.

The paper is a written report of the Section 5 case study presentation. The paper must address all questions asked in the case study assignment.

The paper must satisfy the following requirements:

- 3-5 pages in length.
- 1" margins on all sides.
- 1.5 line spacing.

- Font size 11 or 12.
- Title Page containing paper title, student name, course name and semester, and a technical abstract (100 words or less) is required (does not count toward the page limit).
- Reference List contained in Appendix (does not count toward the page limit; references must adhere to either APA, MLA, or Chicago Manual of Style guidelines).
- Footnotes cannot include references. Complete references must appear in the Reference List. Citations in the text should refer to an item in the Reference List and adhere to APA, MLA, or Chicago Manual of Style guidelines.
- Figures, charts, and tables contained in an Appendix (which does not count toward the page limit).
- As with the presentation, the total number of figures, charts, and tables cannot exceed 3.

4) *Case Studies*

For Sections 1, 3, 4, and 5, students will work in groups to complete a case study.

During ‘Case Study Selection’, students will indicate which case study they wish to work on.

Based upon the responses, students are randomly assigned to teams of 3-4 students. Each group is assigned a 20-minute presentation time slot. The group only needs to attend their assigned 20-minute time slot.

The case study presentation is a 10-minute oral policy assessment, followed by 5 minutes of question and answer.

Groups are not allowed to use slides, but are permitted to provide the instructor with figures, charts, and tables (whose total number cannot exceed 3).

Further details about the requirements for the case studies can be found in the document “Grading Rubric”:

https://intra.krannert.purdue.edu/programs/ms-econ/2015/51200/Files/Presentations_Grading_Rubric.pdf

5) *Final Exam*

The date, time, and location for the Final Exam will be provided by Purdue in the coming weeks. Exam week at Purdue extends from Monday, May 2 through Saturday, May 7.

The exam is cumulative and is taken with closed notes and closed books. Students are permitted 120 minutes to complete the exam. A make-up exam will not be given.

Assessment

Homework	15%	Case Studies	40%
Quizzes	10%	Paper	10%
Final Exam	25%		