

Economics 331
Intermediate Macroeconomics
11:00am-12:15pm T TH—220 Stipes Hall
Department of Economics
College of Business and Technology
Accredited by AACSB International—The Association to
Advance Collegiate Schools of Business
FALL 2009

Instructor: William Polley
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Office Hours: Monday 1:00-2:45pm
Tuesday 9:30-10:15am
Wednesday 1:00-2:30pm
Other times by appointment. See note about office hours below.
Course Prerequisite: Econ 231
Personal web page: <http://www.williampolley.com>
Web page for this course: <http://www.williampolley.com/econ331>

Texts

Williamson, Stephen D. *Macroeconomics* (3rd edition). Boston: Pearson-Addison-Wesley, 2008. **REQUIRED**

Occasional internet reading assignments based on current events will be posted on my web page from time to time. They will be announced in class and by e-mail.

E-mail and Web Policies

You are required to have a WIU e-mail account. I will send any e-mail to that account. If you have another account that you would rather use, you have two choices. You can set up your WIU account to forward to your other e-mail. Ask the UCSS Help Desk if you are unsure of how to do this.

The other option is to provide me with a 2nd e-mail address. However, I will continue to send to your WIU e-mail as a backup. If you do use a non-university e-mail address to receive messages from me, please set your “spam-blocking” settings such that my e-mails will not be bounced back. In most cases, this can be done by adding my e-mail address to your list of contacts or your address book.

Any important announcements regarding coursework will be sent by WIU e-mail and posted on the course web page. You should check your e-mail or the web page at least once between class sessions, preferably the day before. Some assignments may require the use of the Internet.

A Note About Office Hours

At the time of the writing of the syllabus, not all of my committee meeting schedules have been set. Furthermore, there are always unexpected events that may necessitate a change in office hours. In the event that I need to miss an office hour, I will notify you of that fact as soon as practicable either in class or by e-mail/web. I will offer additional office hours to make up for any that are missed.

In the event that a regular committee meeting or other university obligation must be repeatedly scheduled during one of my office hours, I will offer a revised set of office hours. The revised office hours will be sent by e-mail, posted on the web, and announced in class on no less than 3 successive class meetings.

Office hours are an important part of the instructor/student dynamic. You are encouraged to make use of them. In order to make the best use of your time and mine, you are encouraged to attempt to work the problems or other material on your own first. If you have made a good attempt and are still stuck, don't wait until it is too late and don't waste time spinning your wheels.

General questions about the course material are also welcome during office hours. If you find yourself falling behind, do not delay in asking questions.

A Note About Classroom Decorum

The learning process is more productive when there is a positive classroom environment. Part of the responsibility for maintaining that environment rests with you. This is, after all, an upper level course, so I hope that it is not really necessary to elaborate on this. With this kind of course, I strive for an environment that welcomes questions and discussion. While I do spend much of the class lecturing, I welcome appropriate interruptions if you have questions. I will also ask you questions to stimulate discussion. However, even in this environment which is somewhat less formal than a large introductory class, I do ask that you keep distractions to a minimum and maintain an atmosphere that is conducive to learning. What I ask is less for my benefit than for the benefit of your fellow students. I ask that you follow these simple guidelines.

- Turn off cell phones when in class. (If you have a cell phone on which you may receive emergency calls, let me know.)
- Keep conversations to a minimum. If you have a question, ask me—not your neighbor. (An exception would be a whisper to your neighbor to clarify something as you take notes.)
- If you know that you will have to leave in the middle of class, please sit on or as close to the side aisle as possible. Similarly if you come in late. The front row is usually relatively empty for late comers.
- Do not listen to your iPod or other portable music device in class.
- Do not read the newspaper in class. (Honestly, it does not bother me a bit, but it is distracting to the person next to you or behind you who tries to read over your shoulder!)

- When in doubt, think about how your actions impact others in the class. If it distracts from or diminishes the classroom experience for your peers, don't do it. If you have a question or comment that would add to the classroom experience, do speak up.

Goals and Objectives

It is my first and foremost goal that you leave this course with a better understanding of the kinds of macroeconomic issues that you might read about in any newspaper or hear about on the evening news. Everything from the price of gasoline to the interest rate that you pay on your credit card is tied to the issues that we will discuss in this course. I hope that you will approach this course with an attitude of curiosity and ask questions frequently when you hear or read about things in the media that are relevant to our discussion.

As a part of the core of the economics major, this course provides a more in-depth treatment of macroeconomic theory. We build on ideas you should have learned at the principles level. We first study measurement issues and a little bit of history of macroeconomic thought. In our study of history, we will see that modern macroeconomic theory has evolved out of two strands of thought—classical and Keynesian. We will examine the theory underlying each of these strands of thought. We will discuss how macroeconomic theorists have addressed growth and business cycles. Finally, we will discuss macroeconomic policy in the modern economy.

Specifically, the Department of Economics has a number of learning objectives that apply to the macroeconomics curriculum. Each successive course in macroeconomics considers some of the same issues but in more depth and detail. In this course, our goal is to give you an intermediate level of understanding of:

- The difference between real and nominal variables
- Aggregate demand and supply and the impact of changes to aggregate demand or supply
- The differences between Keynesian and neoclassical approaches to macroeconomics
- The impact of changes in net exports or the exchange rate (international factors)
- The effect of government policies on economic growth
- How the Federal Reserve System works
- The effect of monetary and fiscal policy, including the implications of budget deficits and how policymakers strive to attain full employment and price stability

Attendance Policy

Attendance is mandatory for exam days, but not for regular class sessions. However, you are responsible for any material covered on days you do not attend. Exams closely follow the material discussed in class, and I have even been known to do practice problems from old exams in class once in a while (if you ask me to do so). So it is definitely to your advantage to attend class every day. There is a strong link between performance in this class and attendance.

Homework

Homework will be assigned from time to time. Assignments will be posted on the web generally about a week before they are due. They will consist of problems from the book and possibly some of my own design. There are a total of 30 homework points for the semester, and each problem will be weighted equally and will be graded on a satisfactory/unsatisfactory basis. Your homework score will be the percentage of problems receiving a satisfactory grade (number correct/total number) multiplied by 30. For example, if 75 problems are assigned in the semester, and you do 60 satisfactorily, then you will receive $\frac{60}{75}(30) = 24$ homework points.

I will announce the posting of a new homework in class, by e-mail, and on the web page. The homework assignments are meant to give you practice in doing the kind of problems that will be on the exams. I encourage the formation of study groups to work on the homework problems, but I ask that you each write up your own answers in your own words.

Late homework is not accepted for full credit unless you can provide an acceptable excuse with written documentation associated with your absence from class on the due date. These situations will be handled on a case-by-case basis to determine a course of action that is as fair as possible to you and to the rest of the class. The main reason for not accepting late homework is so that we can go over the solutions in class. If you forget to bring it to class on the due date, you can turn it in within the next day and receive half-credit.

Exams

Exams consist of true/false questions and problems. They are closed book/notes. Exams 1 and 2 are worth 30 points. The final is worth 60 points.

In upper level courses, I allow the class to have some say in determining exam dates. I do this because I don't want to "pile on" when you have other things going on. Plan on the first exam being in late September or early October and the 2nd being in late October or early November. The final exam is set according to the university schedule. Precise dates of the exams will be set no fewer than 3 class periods in advance and announced in class, by e-mail, and on the web page.

Final Exam: 10:00am, December 17, 2009, (THURS)

All exams are in the regular classroom.

Makeup Exams and Other Exam Policies

Makeup exams are given when there is an acceptable excuse for missing the exam. Written documentation is required. Serious illness and University sponsored activities are examples of acceptable excuses. Oversleeping or not being prepared are not acceptable excuses. You are expected to contact me at the earliest possible opportunity so that we can discuss the acceptability of your excuse and the type of documentation required. Simply not showing up for the exam and asking about the acceptability of the excuse and the type of documentation required may result in a zero for the exam. Examples of documentation include:

- For funerals: An obituary from the service that includes the name and address of the funeral home as well as the date of the service. Do not give me your only copy as I will keep the copy you give me.
- For university activities: A letter/note from the faculty adviser.
- For illness: A note from a doctor on official stationery or a prescription pad with the date and your name. A dated hospital discharge form is also sufficient. If you go to the Beu Health Center, a medical confirmation form will be issued if in their medical opinion it is necessary for you to miss class.
- For court appearances: Judgement papers or other documents signed and dated by the clerk of the court. For jury duty, obtain a verification of service from the jury supervisor.

The bottom line is that if you think you need to miss an exam, you need to talk to me as early as possible so that I can advise you on the type of documentation that is appropriate, especially if your absence does not fit neatly into one of these categories or if there are special considerations.

You are expected to be at the exam at the start of the class period. Latecomers without an acceptable excuse will ordinarily be allowed to sit for the exam but will not be given extra time. However, **no late arrivals will be allowed to sit for the exam if any student has already completed the exam and left the classroom.**

The mathematics required on the exams is simple arithmetic and algebra. Graphing calculators are not necessary and are not permitted. **Similarly, cell phone calculators are not allowed** (see note about classroom decorum).

Exams are closed book/notes. Please keep any books or notes out of sight during the exam and refrain from talking your classmates.

Federal Reserve Simulation

This is a fun class project that we will do near the end of the semester. Each member of the class will be assigned a role to play in a simulated meeting of the Federal Open Market Committee. In a few weeks I will give you your assignments and you will research your role. For example, if you are assigned to play the role of the Federal Reserve Bank of Boston, you will research economic conditions in the northeast and come up with a policy recommendation. Your roles are individual, but you may want to work together to prepare. In class on December 8, we will conduct a simulated meeting of the FOMC. In the meeting, each person will give a short presentation on their research and policy recommendation.

This assignment is worth 50 points. Grading is based on three things: (1) your participation during the simulation, including your presentation, (2) your written summary of your presentation that you will bring to class on the day of the simulation, (3) a reaction paper due before the final exam (December 17). More details will be given as the semester goes on.

Extra Credit

Extra credit will be offered at the instructor's discretion. If it is offered, it will take the form of a short assignment of either problems or an essay and will be due about a week after it is offered. Other specific details (such as the number of points it is worth) will be given at the time. Extra credit opportunities, if offered, will be posted on the web page, sent by e-mail, and announced in class. Generally I give extra credit assignments in the form of extra homework points.

Grades

Homework is worth a total of 30 points for the semester. Exams 1 and 2 are worth 30 points each. The final exam is worth 60 points. The Federal Reserve simulation is worth 50 points for a total of 200 points in the course.

A	180 points or more (90%)
B	160-179 points (80%)
C	140-159 points (70%)
D	120-139 points (60%)
F	less than 120 points

Topical Schedule

The instructor reserves the right to modify the schedule as necessary. The material covered by the exams will change slightly if we get ahead or behind.

- Introduction (Chapter 1)
- History of macroeconomic thought
- Measurement (Chapter 2)
- Business cycle measurement (Chapter 3)
- Consumer and firm behavior (Chapter 4)
- The one-period closed economy model (Chapter 5)

Exam 1 after completing chapter 5 (Late September or early October)

- Growth: Malthus and Solow (Chapter 6)
- "Barriers to Riches" (Parente and Prescott)
- Endogenous growth (Chapter 7)
- Ricardian Equivalence (Chapter 8)
- Investment (Chapter 9)

Exam 2 after chapter 9 (Late October or early November)

- Adding money to the model (Chapter 10)
- Market clearing models of the business cycle (Chapter 11)
- The Keynesian model (Chapter 12)
- Additional topics from the remaining chapters as time permits.

In accordance with University policy and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies faculty of a specific need for accommodation. For your instructor to provide you with the proper accommodation(s), you must request documentation of the need for an accommodation through Disability Support Services and provide it to your instructor. It is imperative that you take the initiative to bring such needs to the instructor's attention, as he/she is not legally permitted to inquire about such particular needs of students. Students who may require special assistance in emergency evacuations (i.e. fire, tornado, etc.) should contact the instructor as to the most appropriate procedures to follow in such an emergency. Contact Disability Support Services at 298-2512 for additional services. (<http://www.student.services.wiu.edu/dss/>)

Student Rights and Responsibilities Web Page: <http://www.wiu.edu/provost/student/>