

Economics 502
Macroeconomics and Growth Theory
9:30-10:45am TTH–215 Stipes Hall
Department of Economics and Decision Sciences
College of Business and Technology
Accredited by AACSB International–The Association to
Advance Collegiate Schools of Business
SPRING 2012

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Office Hours: Monday 1:00-2:30pm
Tuesday 1:00-2:00pm
Wednesday 1:00-2:30pm
Other times by appointment. See note about office hours below.
Personal web page: <http://www.williampolley.com>
Web page for this course: <http://www.williampolley.com/econ502>

Prerequisite

Econ 481G or permission of the graduate adviser.

Texts

Romer, David. *Advanced Macroeconomics*, 4th edition. New York: McGraw-Hill. 2012. **REQUIRED**

Bagliano, Fabio-Cesare and Bertola, Giuseppe. *Models for Dynamic Macroeconomics*. Oxford: Oxford UP. 2004. **REQUIRED**

Other articles may be posted on the course web page.

If you have a good intermediate macro text from your undergraduate days, keep it as it might come in handy as a reference.

As a math reference, I often use Chiang, Alpha. *Fundamental Methods of Mathematical Economics*. New York: McGraw-Hill (any edition is fine)

I also recommend a guidebook called *Doing Economics: A Guide to Understanding and Carrying Out Economic Research*. by Steven Greenlaw. I may refer to it once in a while. If you are planning on a career that involves economic research, you might want to have a copy of this on your shelf.

E-mail and Web Policies

You are required to have a WIU e-mail account. Stop by 126 Stipes Hall if you don't have one yet. I will send any e-mail to that account. If you have another account that you would rather use, you can set up your WIU account to auto-forward. Again, stop by 126 Stipes Hall to see how to set this up.

If you would like to provide me with a 2nd e-mail address, that is fine. However, I will continue to send to your WIU e-mail. 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.

Graduate students are especially encouraged to see me during office hours to discuss general questions and research projects.

Goals and Objectives

This is one of two graduate courses in macroeconomic theory offered by the department. While each course has its own distinct focus and objectives, both address key areas such as the components of GDP, nominal vs. real variables, growth, monetary and fiscal policy, aggregate supply and demand, and the open economy. This course is an introduction to business cycle theory and growth theory. To provide context for our study of the models, attention will be given to the intellectual history of macroeconomics. Part of the course will also be devoted to specific optimization methods common in macroeconomics. Policy implications of the various models will be explored. The goals and objectives listed below represent *specific* key points around which this particular course is organized. These points represent areas which will be covered by homeworks and exams. By the end of the course, you should be able to

- Set up and solve a basic macroeconomic optimization problem.
- Explain the principles of dynamic optimization by the Lagrange method and by dynamic programming.

- Explain the basic analytical workings of the Solow growth model.
- Set up and solve an overlapping generations model and describe the situations where this model would be useful.
- Explain the innovations of the New Growth Theory.
- Explain real business cycle theory and key objections offered by its critics.

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. Even though I do not formally take attendance, a pattern of absences is easily noticed in a small class like this, and if absences interfere with your performance in the class, the graduate adviser will be notified.

Homework

Homework will be assigned from time to time. The homework assignments are meant to give you practice in doing the kind of problems that will be on the exams. After you have had approximately a week to work on the problems, a solution key will be made available. I might give hints or answer clarifying questions before making the key available. After the key is available, I will answer any remaining questions you might have. The reason for doing it this way is to get you to work through the problems yourself. I encourage the formation of study groups to work on the homework problems. The grading of homework is as follows: each problem or question will be graded as satisfactory or unsatisfactory. A satisfactory answer makes only minimal errors, is internally consistent, and demonstrates an understanding of the main concept at work in the problem. Your percentage of satisfactory answers out of the total number of homework problems will be multiplied by 20 and factored in with the exam scores as described below.

Exams

Exams consist of problems requiring mathematical, graphical, and written analysis. Except for the final exam (which is fixed by university policy) I will try to schedule the exams to fit our pace through the material. I generally give the class a choice of two or three dates for the first two exams and fix the date no later than 3 class periods before each exam.

Exam 1: Late February or early March

Exam 2: Late March or early April

Final Exam: May 10 **8:00am** (THURS)

All exams are 215 Stipes Hall (the regular classroom) Exams 1 and 2 are given during regular class time. Please note that the final exam is at 8:00am rather than the usual class time. Except for the final exam, these are tentative dates—actual dates will be announced in class beginning no less than three class meetings in advance of the actual date.

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.

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.** Calculators without text capability are allowed for exams. If you have any question about whether your calculator is acceptable for exams, please ask me *before the exam day*. Cell phone calculators are not allowed.

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

Grades

Homework is worth a total of 20 points for the semester. Exams 1 and 2 are worth 20 points each. The final exam is worth 40 points for a total of 100 points in the course.

- A 80 points or more (80%)
- B 70-79 points (70%)
- C 60-69 points (60%)
- D 50-59 points (50%)
- F less than 50 points

Topical Schedule

The instructor reserves the right to modify the schedule as necessary. In particular, we will follow the overall structure of the first 4 chapters of Romer as a guide, but additional topics and papers may be discussed in the context of that framework.

- Solow growth model (Romer, chapter 1)
- Introduction to dynamic optimization in macroeconomic models (lecture)
- Infinite horizon and overlapping generations (Romer, chapter 2)

Exam 1 will be at about the time we complete chapter 2

- New Growth Theory (Romer, chapter 3)
- Cross-country income differences (Romer, chapter 4)

Exam 2 will be at about the time we complete chapter 4

- Real business cycle theory (Romer, chapter 5)
- Other topics to be determined 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 Resource Center 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 the Disability Resource Center at 298-2512 for additional services. (http://www.wiu.edu/student_services/disability_resource_center/)

Student Rights and Responsibilities Web Page: <http://www.wiu.edu/provost/students.php>
Web address for Academic Integrity Policy <http://www.wiu.edu/policies/acintegrity.php>