



Northeastern University
Department of Economics

Macroeconomic Theory

ECON 2315

Prof. María José Luengo-Prado

Fall 2012

⌚ **Lectures:** Tuesdays and Fridays, 9:50-11:30am in Shillman Hall 105

⌚ **Office Hours:** Wednesdays 9:30-11:30am and Fridays 3:30-4:30pm

Also by appointment

🏠 **Office:** 311 Lake Hall

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👤 **Teaching Assistant:** Rand Ghayad

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⌚ **Recitations:**

- Tuesdays, 3:25-5:05pm in Forsyth Building 130
- Thursdays, 2:50-4:30pm in Forsyth Building 241
- Fridays, 11:45am-1:25pm in Kariotis Hall 110

⌚ Office hours: TBA and by appointment.

🏠 **Office:** 307A Lake Hall

Course Description

ECON 2315 is an intermediate course in macroeconomic theory for undergraduate economics majors and for non-majors who have the appropriate background and are interested in macroeconomic theory and policy.

The course provides a systematic introduction to the key elements of macroeconomic analysis: the forces driving economic growth, the causes of business cycles, and the role of macroeconomic policy in promoting growth and dampening economic fluctuations. In Principles of Macroeconomics, students are introduced to most of these concepts, however, in this course, the analysis we use is slightly more complex: we combine mathematical and graphical solutions to different models and pay particular attention to the role and validity of the assumptions in each model. We will start the course with a refresher on how to measure



economic performance. Then, we introduce different models that can be used to analyze the observed data. The last step is policy recommendation.

By the end of this course, you should be able to interpret economic models and learn how to analyze macroeconomic performance within the context of these models. Also, you should be able to critique articles on economic issues in publications such as the *Economist*, using good economic intuition and knowledge. Finally, you should be familiar with useful macroeconomic data sources.

This course will be much more exciting and useful if you actively participate in class and ask a lot of questions!

Prerequisites

Undergraduate level ECON 1115 Minimum Grade of D– and Undergraduate level MATH 1231 (or 1241, 1242, 1251, 1340, 1341, 1342) Minimum Grade of D–.

Blackboard

I use Blackboard to distribute all course materials. To use Blackboard, log in to your myNEU account. If you have officially registered for the course, it should automatically appear in your ‘My Courses’ link. If it is not the case, let me know as soon as possible.

- A Blackboard tutorial can be found under the ‘Blackboard Support’ tab (once you log in to Blackboard).
- You could also take a training class (<http://www.northeastern.edu/infoservices/>) but using Blackboard is pretty straightforward.
- In case you do not know, you can integrate Blackboard with Facebook: <http://blackboardtips.blogspot.com/2008/06/how-to-add-blackboard-to-facebook.html>
- Please, use the appropriate ‘Discussion Board’ on Blackboard to ask questions about course content, homework, etc. instead of email.

Textbook

Macroeconomics, seventh edition, by N.G. Mankiw, Worth Publishers, 2010 with an EconPortal access code.

- If you use a different edition, it is your responsibility to determine how the versions differ. For example, chapter 14 in the seventh edition was not available in previous editions.
- You can buy an access code to EconPortal without purchasing the textbook and get an e-book version of the textbook. (Price: \$87.99).



- To activate your EconPortal code you should:
 1. Go to <http://courses.bfwpub.com/mankiw7.php> (Mac users need to use Firefox).
 2. Click on the link "REGISTER AN ACTIVATION CODE."
 3. You will be prompted to follow the on-screen instructions to find your course. You will start by selecting the school's state/province, the school name, then their instructor, course, and/or section.
 4. You will enter the activation code that came with their textbook or that they purchased from us. You will also be asked to enter your email address, choose a password and you will be ready to go!
 5. You can also purchase access on the website by clicking on the PURCHASE link.
- You will not be able to take advantage of the extra-credit assignments (described below) if you do not purchase the textbook or an EconPortal access code.

Course Requirements and Grades

(dates may be subject to change)

5 problem sets	25%–100 points
2 Midterm Exams (Oct. 16 and Nov. 13)	30%–120 points
1 Comprehensive Final (date TBA)	40%–160 points
Class participation and quizzes	5%– 20 points
TOTAL	100%–400 points

The Problem Sets

There will be 5 problem sets. The following rules apply and will be strictly enforced without exceptions:

- Homework will be done in groups of approximately three students. You will be assigned to a group by the instructor on the second week of classes.
- Homework will be posted on Blackboard and will be due at the beginning of the specified class period.
- Since homework will be posted well in advanced the due date, late homework will not be accepted. If no group member can make it to class the day the problem set is due, please make arrangements for your homework to be delivered beforehand. Physical (preferred) or electronic delivery on Blackboard are both acceptable. However, I will not accept homework through email (use the mailbox feature on Blackboard instead and mail the homework to both the instructor and the TA).



- Homework are graded by the TA. If you have complaints about the grading of a problem set, do the following: within ONE week after the problem set was returned, hand back to me your graded homework and a brief written statement explaining your complaint (i.e., which question you think was graded wrongly and why). I will regrade the assignment but cannot guarantee your grade will be higher (in fact, it could be lower).
- Although you will be working in groups on the assignments, you should make sure you are actually contributing to solving the problems and just free riding. Exams will be similar to problem sets, so you would only hurt yourself by not working out the problems and copying them from someone else.
- In addition to homework, it is strongly recommended that you try the review questions at the end of each chapter and take advantage of the interactive learning materials that come with your textbook. Also, I will post past exams and some self-assessment materials on Blackboard throughout the semester.

Midterms

There will be two in-class examinations on October 16 and November 13 (the dates are subject to change and will be confirmed one week in advance). These exams represent a total of 120 points (30% of your grade). There will not be make-up exams. With a valid conflict (of which you have to inform me as soon as possible), the weight of the final will be increased. If you skip these exams at the last minute, please be aware of the fact that unless you were completely incapacitated I will not weigh your final higher to adjust for the missing points.

The Final Exam

The final is a comprehensive exam and will count 160 points (40% of your grade). The final's date is set by the university (December 9–December 16, exact date TBA). Be advised that I will not change the exam date to accommodate students' personal travel. In case of exam conflict, please follow the university policy described at:
<http://www.northeastern.edu/registrar/finexconflict.html>

Class Participation and quizzes

Regular attendance as well as participation during lectures and recitations will be valued. On occasion, quizzes will be given during recitation.



Grades

Grades will be assigned based on the points obtained in the class as the following table indicates.

Points	Grade
>356	A-
320-355	B+
280-319	B
260-279	B-
240-259	C+
220-239	C
200-219	C-
180-199	D
0-179	F

- An 'A' grade will be reserved for top students who demonstrate deep understanding of the material (superior to that of peers) through testing, assignments, discussions, etc. An 'A' student rarely misses class.
- Apart from the 'A' grade, I do not curve grades. If every student deserves a good grade, then I will only give good grades. The best strategy for receiving a good grade is class attendance and hard work.

Extra-credit

You can get up to 25 points by completing the online quizzes set up in my EconPortal. Do at least 10 of the 12 quizzes and I would multiply your average score in the quizzes by 25/100 to determine the number of extra-credit points you would get (if you do more than 10 quizzes, I will take the average of the best 10). If you do less than 10 quizzes, I will give you one point per quiz with a score above 60 (but none for quizzes with worst scores). These quizzes will be 10 to 15 multiple choice questions, due almost weekly, and to keep it simple they will be always due on Fridays by 10pm. Note these are true extra-credit points, that is, you could get up to 425 points total!

Remember you need to buy an EconPortal access code and complete the assignments by their due dates in the EconPortal environment (not Blackboard).

Go to <http://courses.bfwpub.com/mankiw7.php> (Mac users need to use Firefox).

I will not accept late assignments or creative proposals to improve your grade towards the end of the semester.

*Keep in mind*

- ⇒ Poor performance is not a valid reason for an **incomplete**. An incomplete is given only under exceptional circumstances and requires satisfactory completion of a substantial part of the course. A grade of incomplete will require a signed “contract” specifying completion arrangements. The instructor determines the legitimacy.
- ⇒ The course can be taken **Pass/Fail** by non-freshman students for whom it is not a required course. It is the student’s responsibility to determine if he/she is eligible to take the course under this option. The instructor must be informed of this decision no later than one week after the second midterm exam is returned to the student. When permitted, students **MUST** earn the equivalent of a C- or higher to receive a Pass grade. A contract will be signed between the student and the instructor to keep record of the request. Do not ask during or after the final exam for a Pass/Fail grade.
- ⇒ Northeastern University is committed to the principles of **intellectual honesty and integrity**. “All members of the Northeastern community are expected to maintain complete honesty in all academic work, presenting only that which is their own work in tests and assignments.” (see <http://www.northeastern.edu/osccr/academichonesty.html>). Students found cheating or plagiarizing will receive an F in the course and will be referred to the Dean of Students for appropriate action.

Class Etiquette

- **Attendance is expected.** I have it well tested that in my classes most of the students that get bad grades do so because they do not attend classes regularly. Moreover, class participation can make a difference if you are on the borderline between two grades. Class participation includes contributing orally in class as well as bringing in relevant items of interest.
- You are expected to be **punctual and respectful**. Cell phones off, please!
- Please, do not leave the classroom during lectures unless strictly necessary as it is very distracting for both students and the instructor. We will have a **short break**—3 to 5 minutes—during each class period given the length of our course sequence.
- Readings and homework will be assigned weekly and announced on Blackboard. If a reading is marked as “required”, please **come to class prepared**.
- Be advise that I **cold call** during lectures and I expect you to make an effort to answer questions intelligently.



- Behaviors that are **disruptive** to teaching and learning **will not be tolerated** and will be referred to the Student Conduct Program for disciplinary action.

Where to go for help

(other than the instructor who really encourages you to make use of her office hours)

- **The Teaching Assistant.** The teaching assistant for this class is Rand Ghayad who is a Ph.D. student in the economics department. He will be in charge of recitations and will hold office hours weekly. He is also available by appointment given sufficient advance notice.
- **Blackboard.** You can post questions in the appropriate Discussion Board on Blackboard. Be specific in your headings so that your question can be quickly identified. Questions posted by 10pm will be answered by the instructor or the T.A. within a few hours. Questions posted after 10pm will be answered the following day. Anyone is allowed and encouraged to answer questions by classmates!
- **Students with Special Needs.** The University will make reasonable accommodations for persons with documented disabilities. Students should notify the Disability Resource Center (located in 20 Dodge Hall) and their instructors of any special needs. Instructors should be notified the first week of classes. (See <http://www.drc.neu.edu/>.)



Outline

INTRODUCTION

1. Introduction. Chapters 1 and 2.

THE ECONOMY IN THE LONG RUN: CLASSICAL THEORY

2. National Income. Chapter 3.
3. Money and Inflation. Chapter 4.
4. The Open Economy. Chapter 5.
5. Unemployment. Chapter 6.

THE ECONOMY IN THE VERY LONG RUN: GROWTH THEORY

6. The Solow Model. Chapter 7.
7. Empirics and Beyond the Solow Model. Chapter 8.

THE ECONOMY IN THE SHORT RUN: BUSINESS CYCLE THEORY

8. Introduction. Chapter 9.
9. Aggregate Demand (AD). Chapters 10, 11 and 12.
10. Aggregate Supply (AS). Chapter 13.

MACROECONOMIC POLICY

11. Stabilization Policy. Chapter 15.
12. The Financial System. Opportunities and Dangers. Instructor Notes.
13. Government Debt (time permitting). Chapter 16.