

INTERMEDIATE MACROECONOMICS

ECO 209

Summer 2020

Instructor:	Stepan Gordeev	Time:	TWR 5:45–8:35
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COURSE DESCRIPTION. Macroeconomists use models to describe aggregate economic phenomena, primarily long-term growth and short-run fluctuations. These models allow us to understand the causes of the observed phenomena, to predict the effects of policies (such as monetary and fiscal policy), and to suggest optimal policy interventions. This course will introduce you to the main macroeconomic models and their applications, as well as provide a framework for thinking about the macroeconomic events and trends both for the domestic and the global economy. This course will provide you with skills essential for the study of higher-level macroeconomic courses.

LEARNING OUTCOMES. The objective of the course isn't just to teach you knowledge of key macroeconomic principles and workhorse models. The ultimate goal is to help you develop several critical thinking skills that successful application of macroeconomic ideas in real life as well as further study of macroeconomics both rely on. In particular, at the conclusion of the course, students will be able: i) to select the most appropriate model for the macroeconomic issue at hand and to solve it to obtain the qualitative and quantitative predictions of interest; ii) to identify its critical assumptions, mechanisms, and implications; iii) to contrast its assumptions, mechanisms, and implications with those of alternative models; iv) to discuss its limitations and propose extensions.

SCHEDULE. The class will meet from May 19 to June 25 on Tuesdays, Wednesdays, and Thursdays at 5:45 pm in Zoom ([977 4521 8215](https://ur.rochester.edu/join/97745218215)). Each lecture will have two breaks.

PREREQUISITES. Intermediate Microeconomics (ECO 207) is required, as microeconomic models provide the foundation that most macro models build on. Calculus I (MTH 141 or alternatives) is strongly recommended—basic understanding of derivatives and maximization/minimization at the very least.

REQUIREMENTS. Your grade will be determined by in-class exercises (10%), 5 problem sets (40%), one midterm (20%), and a final exam (30%).

1. **In-Class Exercises: 10%.** Each class you will be asked to complete up to 3 in-class exercises (to be done on Blackboard). The point of these isn't to test your skills, but to help you understand the material of the lecture with simple practice, as well as to break up our 3-hour-long lectures to let you recharge your ability to listen attentively. Hence these will be graded not on answers, but on completion: if you do all of these exercises and show reasonable effort in doing so, you will get full points regardless of how correct the answers are.

2. **Problem Sets: 40%.** Every week you will be assigned a problem set due the following week (to be submitted on Blackboard). The problem sets will give you practice in solving macroeconomic models and interpreting their results. These must be completed individually. You need to show work (how you arrived at the answer) to get full credit. If you get stuck, please don't hesitate to reach out to me. Scanned submissions are preferable. If you submit a photo of a handwritten solution, please make sure that everything is perfectly legible. Late submissions will not be accepted. The lowest score will be dropped.
3. **Midterm: June 4, 20%.** We will have one midterm exam during class time. The questions will be similar in spirit to those asked in the problem sets.
4. **Final: June 25, 30%.** We will have a comprehensive final exam on the last day of class.

TENTATIVE COURSE OUTLINE.

1. Overview of Macroeconomics, Economic Models – *week 1*
 - Questions macroeconomists study
 - Economic models: how to use them, and how not to
2. Output Measurement – *week 1*
 - National income accounts
 - Price level and real variables
 - Growth rates
3. Economic Growth – *week 1–2*
 - Growth facts
 - Basics: production model
 - Pre-industrial: Malthusian model
 - Benchmark growth model: Solow model
 - Origin of growth: endogenous growth model
 - Role of current institutions: misallocation
4. A One-Period Model – *week 2*
 - Consumption-leisure decision: microeconomic foundations
 - A one-period model of the economy
 - Distortionary taxation
5. Labor Market – *week 3*
 - Labor market measurement & facts
 - The DMP model of unemployment
6. An Intertemporal Model – *week 4*

- Consumption-saving decision: microeconomic foundations
7. Money and Banking – *week 4*
- Money and prices
 - Banking
8. Business Cycles – *week 4–5*
- Business cycle measurement
 - The Real Business Cycle model
 - The New Keynesian model
 - The Great Recession
9. Macroeconomics of COVID-19 – *week 6*
- Real-time effects on spending and employment
 - Emergency policy responses
 - Modeling: merging macro and epidemiology

MATERIALS. This course is self-contained. You do not need to acquire any textbooks. But if you want to have a detailed reference, consider *Macroeconomics* by Charles I. Jones: the content I cover in lectures will significantly overlap with this textbook.

OFFICE HOURS. If you have any questions about the material, or if a problem set presents particular difficulty, you can come to one of the two weekly office hour sessions, conducted in the same Zoom meeting ID as the class:

- Monday 4:30–6:00 pm
- Thursday 10:00–11:30 am

Just email me in advance if you are planning to attend an office hour session, so that I can join the meeting only if I know someone is coming.

If you have a concern you prefer to discuss in private, email me and we will set up a one-on-one meeting instead.

ACADEMIC HONESTY. All assignments and activities associated with this course must be performed in accordance with the University of Rochester's [Academic Honesty Policy](#).

DISABILITY RESOURCES. The University of Rochester respects and welcomes students of all backgrounds and abilities. In the event you encounter any barrier(s) to full participation in this course due to the impact of a disability, please contact the Office of Disability Resources. The access coordinators in the Office of Disability Resources can meet with you to discuss the barriers you are experiencing and explain the eligibility process for establishing academic accommodations. You can reach the Office of Disability Resources at: disability@rochester.edu; (585) 276-5075; Taylor Hall.