ECO 321: Intermediate Macroeconomics
Syllabus for Spring 2014                                       Michael R. Montgomery, Ph.D.

CLASS MEETS: MWF 2:10-3:00 P.M., in [Central] Stevens Hall Room 365.

REQUIRED TEXT:
Macroeconomics: Economic Growth, Fluctuations, and Policy.
6th ed. by Robert E. Hall and David H. Papell.

RECOMMENDED (not required):

The Study Guide should be useful to you in learning/reviewing course topics and in preparing for exams. The Wall Street Journal is available to students for either a semester or a year at a significant discount from regular price. Virtually all the issues we discuss in this class are regularly featured in the WSI, and it is an excellent source of relevant articles, financial tables, and other information. We will refer to it in class from time to time.

COURSE OBJECTIVES: Some version of this course is required for all economics majors everywhere. It is a more advanced treatment of many of the issues you studied earlier in Principles of Macroeconomics [ECO 121]. New topics are studied as well. Four fundamental questions drive the course. First, how are crucial macroeconomic statistics like GDP, Inflation, and the Unemployment Rate generated, and what are their strengths and weaknesses? Second, what causes the actual performance of a country’s economy to temporarily deviate from its long-run path of full employment? (For example, the economy may fall into a recession.) This is a “short-run” or “intermediate-run” question and involves questions concerning cyclical economic activity. Third, what determines the rate of economic growth of a country? This is a “long-run” question. Fourth, what types of macroeconomic policy can enhance the performance of the economy from both a growth perspective and from a stability perspective? To answer these questions, we will build an integrated macro-model capturing both economic growth and cyclical fluctuations around the long-run growth path. At course’s end, you should have considerably more understanding of macroeconomics and of how macroeconomists currently believe the economy should be addressed from a policy perspective.

This course is heavily textbook-oriented. The text will be our primary source in lecture and we will follow its outline. I will present textbook material (often using Powerpoint) and from time to time comment on the text’s perspective where I think I can provide additional insights. Mostly however I will provide another presentation of the material, to give you an alternative way of understanding that material.

This course is a HARD class. I judge it unlikely that students unwilling to attend class regularly and also carefully read and grasp the textbook will perform as well as they hope to perform in this class.

INSTRUCTOR OFFICE AND HOURS: Office: 230 Stevens Hall
Phone: 581-1852. E-mail: Michael.Montgomery@umit.maine.edu.
Office Hours: To be Announced.

TESTS AND EXAMINATIONS:

<table>
<thead>
<tr>
<th>Quiz 1:</th>
<th>January 29, Wednesday</th>
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</thead>
<tbody>
<tr>
<td>Hour Test 1:</td>
<td>February 5, Wednesday</td>
</tr>
<tr>
<td>Quiz 2:</td>
<td>February 19, Wednesday</td>
</tr>
<tr>
<td>Hour Test 2:</td>
<td>February 26, Wednesday</td>
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<tr>
<td>Quiz 3:</td>
<td>April 2, Wednesday</td>
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<tr>
<td>Hour Test 3:</td>
<td>April 9, Wednesday</td>
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<tr>
<td>Final Exam</td>
<td>Friday, May 9, 8:00 AM - 10:00 AM, in Stevens 365.</td>
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</tbody>
</table>

You must take the Final Exam. Exams will be a combination of multiple choice/true false, short answer, and longer questions. The Final Exam will be semi-cumulative, containing questions on all parts of the course, but with more emphasis on material covered after the second midterm. Its format will be similar to the three Hour Tests, although a bit longer.

QUIZZES AND HOMEWORKS: In addition to exams, there will be four quizzes assigned. Quizzes are short exams, usually containing 10 questions, mainly multiple-choice, that are assigned during the first 10-to-15 minutes of class on the days indicated above. Quiz dates are timed so as to give you an incentive to start studying early for the full exams. There will also be one or more short homework assignments. These will be treated like quizzes in grading (see below).

At semester’s end, your quiz and homework scores will be combined to make an average quiz/homework score. Your lowest quiz/homework score will be dropped. The average of the remaining quizzes/homeworks (converted to a 100 point scale) will be your quiz/homework average in the class.

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>HW</th>
<th>Q Ave (drop lowest)</th>
<th>Converted Q Ave.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>8.0</td>
<td>8.75</td>
<td>87.5</td>
</tr>
</tbody>
</table>

QUIZZES AND HOMEWORKS COUNT substantially in this class and should be taken seriously (see below).

MAKEUP CLASS POLICY: While it is unlikely, we may have to hold an evening lecture or two should inclement weather or a flu outbreak causes us to miss too many regularly scheduled classes. (I know special evening lectures are inconvenient and I will try to avoid them.)

ATTENDANCE CREDIT: 5% of your grade is attendance. You may miss several classes without penalty, but beyond that point your attendance credits will deteriorate rapidly to zero. (Details to be provided soon on a separate sheet).

EXTRA CREDIT: Other than attendance credits, there will be no opportunities to earn extra credit in this course. By taking all quizzes, homeworks and exams, you automatically give yourself a substantial “cushion” in the class, given the drops of exams and quizzes that are allowed and given the easier nature
of the homeworks. In a sense this is extra credit, already built into the class.

**GRADES:** At the end of the semester I will calculate your **Final Test Average** for the course. Your **Final Test Average Score** will depend on your exam scores and your quiz scores, as follows. At semester's end your converted Quiz/Homework average will become the equivalent of a fourth regular-semester Exam. Your **Final Test Average** for the course will then be calculated according to whichever of the two following methods yields you a larger score:

**Method 1:** Each of your four exams counts 20%, and your quiz/homework average counts 20%.

**Method 2:** Your Final exam counts 45%, and the highest three scores out of Exam 1, Exam 2, Exam 3, and your quiz/homework average counts 55%. Note that Method 2 drops the lowest score from among your regular exams and your quiz/HW average.

**EXAMPLES: CALCULATION OF FINAL NUMERICAL SCORE IN THE COURSE.**

<table>
<thead>
<tr>
<th></th>
<th>Exam 1</th>
<th>Exam 2</th>
<th>Exam 3</th>
<th>Qz/HW Ave.</th>
<th>Final Exam</th>
<th>Final Num. Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elaine</td>
<td>80</td>
<td>90</td>
<td>75</td>
<td>90</td>
<td>60</td>
<td>79.0</td>
</tr>
<tr>
<td>Jerry</td>
<td>80</td>
<td>80</td>
<td>70</td>
<td>50</td>
<td>90</td>
<td>82.7</td>
</tr>
<tr>
<td>George</td>
<td>skipped</td>
<td>70</td>
<td>80</td>
<td>70</td>
<td>70</td>
<td>71.8</td>
</tr>
<tr>
<td>Newman</td>
<td>skipped</td>
<td>70</td>
<td>skipped</td>
<td>skipped</td>
<td>70</td>
<td>44.3</td>
</tr>
</tbody>
</table>

Notice that a student may elect either not to do the quiz or homework assignments, or to miss one of the first two exams, without explicit penalty. However, failure to take enough quizzes and do enough homeworks means that all three exams will count toward your final grade. Similarly, failure to take one of the midterm exams means that your Final Exam will automatically count more.

A final grade of 90 or above guarantees the student at least an "A-" in the course, a final grade of 80 or above at least a "B-", etc. A final grade of 60 or above guarantees a passing grade. It is expected that about 15% of the students completing the course will earn a grade of A or A-, about 40% B+, B, or B-, about 30% C+, C, or C-, about 10% D+, D, or D-, and about 5% F.

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A WARNING to students on academic probation, varsity athletes, seniors planning to graduate this year, or other students with a special need to receive a particular grade in this course. Under ABSOLUTELY NO circumstances will I give special consideration at the end of the semester due to someone's need for a particular grade. Be aware that, once you've completed the course, you will not have any opportunity to add to your grade through extra work, term papers, etc.
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In the event of disruption of normal classroom activities due to an H1N1 swine flu outbreak, the format for this course may be modified to enable completion of the course. In that event, you will be provided and addendum to this syllabus that will supersede this version. (Statement by Umaine Administration.)

**Outline of Readings:**

We start with Chapters 1 through 3.
Read Chapter 1 to review concepts learned in Principles of Macroeconomics.

Chapter 2 focuses on the measurement of GDP, Inflation, and other secondary aggregate statistics. We cover 80% or more of it.

Chapter 3: Only read Sections 3.1 and 3.3.

We next skip to Chapter 7 (we return to Chapters 4-6 at the end of the course). From here, we closely follow the text as we cover Chapters 7, 8, and 9 through Section 9.5. Virtually all the material is relevant in Chapters 7, 8, and 9.

Next we cover most/all of Chapter 4, and then portions of Chapters 5 and 6.

Time permitting, from here we will look at the deficit and the national debt, and also look at an alternative to the policy proposals of our text (by a former author of our textbook!).