

ECON 401 - ADVANCED MACROECONOMICS

Spring 2018

Instructor: Ziran (Josh) Ding	Time: MW 4:30pm – 6:20pm
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Introduction and Overview

- **Course Description** Welcome to ECON 401, Advanced Macroeconomics! ECON 401 is the advanced course in macroeconomic theory. The economics prerequisites for this course are ECON 301(or the equivalent). The course is designed to be a rigorous, model based study of advanced macroeconomic theory. While some of the basic concepts may be familiar to you from ECON 201/301, this course will explore issues in greater depth and in a more technically sophisticated manner. A solid mathematical background is essential for your success in this course. Accordingly, either MATH 126, MATH 129 or MATH 136 is also a prerequisite.

We will first introduce the building blocks of macroeconomics, the heart of which is the representative consumer. We'll then go on to offer a brief history of macroeconomic thought, including supply-side economics, the Phillips curve, and the New Keynesian framework. Then we will cover two policy applications, monetary policy and the interaction of monetary and fiscal policy. If time permits, we will also cover financial market imperfections that are particular relevant for the recent financial crisis.

- **Learning Goals** Our broad objective will be to develop the foundations of modern macroeconomic theory, which builds explicitly on the principles of microeconomic theory, and use it to study a variety of macroeconomic issues. A key focus will be on the channels by which fiscal policy and monetary policy can affect the economy. We will trace through some of the history that led to modern macroeconomic theory being what it is today. Throughout, the emphasis will be on theoretical and logical rigor and policy applications, including to the conduct of policy amidst the slow economic recovery.
- **Textbooks** The textbook for the course is Sanjay Chugh's *Modern Macroeconomics*. I will also provide the slides that I utilized during class. The textbook is a primary learning source in this class. Even though we will cover technical material in class, the subject matter is extremely useful for understanding real world economic issues. I will try to develop real world applications in class whenever possible. For your part, you should be inquisitive about the world: read a newspaper like the Wall Street Journal or the New York Times every day and read a periodical like the Economist every week to stay abreast of economic developments in the United States and internationally.
- **Course Page** <https://canvas.uw.edu/courses/1130892>. All course material and problem sets will be on Canvas. Make sure you check it frequently and complete on-line problem sets before the due date.

- **Tentative Course Outline:**

█ Please refer to the last page of this syllabus. The following is a sketch of topics we will cover this semester it may be modified as the course progresses.

Policies and Procedures

Here you will find information about attending (or not attending) lectures, about assignments and due dates, what to do if you are confused, about the exams you will take, about your grades and how they are curved, about make-ups, late work, extra credit in short, you will find everything you need to succeed in this class. Please read this section carefully, and return to it often.

- **Attending Lectures** I strongly recommend that you attend lectures. In my experience, students who regularly miss lectures do poorly on exams, and exams make up the majority of your grade. If you do miss class, you're responsible for the material you miss and should make every effort to get notes from a fellow student.
- **Reading the Textbook** Students typically only retain 30% - 40% of ideas presented in lectures, so it is important that you reinforce the material covered in class by reading the textbook. Read each chapter before its discussed in class if you can.
- **Office Hours** My office hour for this quarter is M/W 11:30am-12:30pm at SAV 319G. Come if you have questions about the course, if you're confused by a particular topic, or if you have any other questions that you think I can help with. My hope is that you'll have studied the reading and lecture notes before our meeting.
- **Email** Email is a blessing and a curse. It is an efficient way for requesting a meeting, but it can tempt you to avoid taking responsibility for ordinary course management. I will reply to emails that request a meeting, or a simple clarification of a course topic, but a detailed explanations of course material are best reserved for a face-to-face conversation. If you email me before noon I will do my best to respond the same day, otherwise you will receive a response the next business day. Do not expect a response over the weekends or over holidays. Finally, do not use Canvas to contact me.
- **Work Load** Typically, 1 credit represents a total student time commitment of 3 hours each week in a 10-week quarter. This course has 5 credits, so expect to spend about 3×5 hours per week on this course, including time spent in class, on reading or other study, on problem solving, writing, or other class-related activities.
- **Homework** You'll have 6 homework assignments, typically it's due on Mondays in class. Solutions become available on Canvas after the homework due date. You should definitely check your own work against the solutions and restudy material that you get wrong. Students will be asked to form study groups based on their own coordination. Each group member should actively participating and contributing to the homework. Homework will be graded based on two criteria: 1. Degree of completion; 2. The performance of a randomly selected question.
- **Exams** There are two exams for this course: one **midterm I** (April 25th, 4:30pm-6:20pm, SMI 211), and a **midterm II** (May 30th, 4:30pm-6:20pm, SMI 211). Midterm I covers all material from weeks 15 and the midterm II covers all materials after midterm I. All exams are closed book and closed notes, unless otherwise indicated. You may use any non-programmable calculator, and an English-to-English dictionary. I don't give makeup exams unless you have a doctor's note signed and dated the day of the exam stating that you were medically unfit to take the exam.
- **Grading** I use the following weights to calculate final grades: **homework** (30%), **empirical project** (10%), **midterm I** (30%) and **midterm II** (30%). Here's my procedure for curving scores: Let \mathcal{S} be a set of student scores, and $s_i \in \mathcal{S}$ the score of student i . I calculate student i 's curved percentage, p_i , as $p_i = \frac{s_i + \alpha(s_{max} - s_i)}{s_{max}}$, where I choose α so that the median curved percentage lies between 77.5% and 82.5%, and where $s_{max} \in \mathcal{S}$ is the maximal element in \mathcal{S} . At the end of the term, I calculate for each student i a weighted-average curved percentage according to the formula $\bar{p}_i = 0.3 \times p_{i, homework} + 0.3 \times$

$p_{i,midterm I} + 0.3 \times p_{i,midterm II} + 0.1 \times p_{i,empirical project}$. I use the table below to convert weighted-average curved percentages to final grades on the 4.0 grading scale. [Here](#) is some information on interpreting grades on the 4.0 grading scale.

\bar{p}_i Score	4.0 Scale	Grade	\bar{p}_i Score	4.0 Scale	Grade
100	4.0	A	57.5	2.3	C+
97.5	3.9	A	55.0	2.2	C+
95.0	3.8	A-	52.5	2.1	C
92.5	3.7	A-	50.0	2.0	C
90.0	3.6	A-	47.5	1.9	C
87.5	3.5	A-	45.0	1.8	C-
85.0	3.4	B+	42.5	1.7	C-
82.5	3.3	B+	40.0	1.6	C-
80.0	3.2	B+	37.5	1.5	C-
77.5	3.1	B	35.0	1.4	D+
75.0	3.0	B	32.5	1.3	D+
72.5	2.9	B	30.0	1.2	D+
70.0	2.8	B-	27.5	1.1	D
67.5	2.7	B-	25.0	1.0	D
65.0	2.6	B-	22.5	0.9	D
62.5	2.5	B-	20.0	0.8	D-
60.0	2.4	C+	17.5	0.7	D-

- **Course Evaluations** You'll have the opportunity to evaluate this course toward the end of term, and I encourage you to give me your feedback. I'll use your feedback improve my teaching and the design of the course. The evaluations are anonymous, and they only takes five or ten minutes to complete.
- **Electronic Devices** The use of laptops, netbooks, tablets, etc, in class to take classnotes, view slides or work on class projects is allowed. You need to ask permission to use laptops, netbooks, tablets, cellphones, etc, in class for any non-class related activity (including instant messaging, web-browsing, looking at cat videos, etc.).
- **Disabilities** If you have, or think you may have, a disability (including an invisible disability such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, I encourage you to arrange support services and/or accommodations through UW DRS, 206-221-9117. Disability-based adjustments to course expectations can be arranges only through this process.
- **Misconduct and Academic Honesty** Academic integrity is the cornerstone of the Departments rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course. Please make sure you read this document: <https://depts.washington.edu/grading/pdf/AcademicResponsibility.pdf>.

Tentative Course Outline

The weekly coverage might change as it depends on the progress of the class. However, it is highly recommended you keep up with the reading materials.

Week	Content
Week 1 (2 lec)	<ul style="list-style-type: none"> • Introduction and Microeconomics of Consumer Theory • Reading: <i>Math Appendix, Introduction and Chapter 1</i>
Week 2 (2 lec)	<ul style="list-style-type: none"> • Consumption-Leisure Framework, Consumption-Savings Framework • Reading: <i>Chapter 2, Chapter 3</i>
Week 3 (2 lec)	<ul style="list-style-type: none"> • Inflation and Interest Rate in the C-S Framework, Ricardian Equivalence • Reading: <i>Chapter 4, Chapter 7</i>
Week 4 (2 lec)	<ul style="list-style-type: none"> • Infinite-Horizon and Asset Pricing, Labor/Investment Demand and Aggregate Supply • Reading: <i>Chapter 8, Chapter 6</i>
Week 5 (2 lec)	<ul style="list-style-type: none"> • Search and Match I; Midterm I • Reading: <i>Chapter 27; Chapter 1, 2, 3, 4, 6, 7, 8</i>
Week 6 (2 lec)	<ul style="list-style-type: none"> • Search and Match II, Shocks, Intertemporal Consumption-Leisure Framework • Reading: <i>Chapter 28, Chapter 9, Chapter 5</i>
Week 7 (2 lec)	<ul style="list-style-type: none"> • Macro History; Money in the Intertemporal Model • Reading: <i>Chapter 10, Chapter 15</i>
Week 8 (2 lec)	<ul style="list-style-type: none"> • Interactions Between Fiscal and Monetary Policy • Reading: <i>Chapter 16</i>
Week 9 (2 lec)	<ul style="list-style-type: none"> • Financial Markets Imperfections and Interactions with the Macroeconomy • Reading: <i>Chapter 21</i>
Week 10 (1 lec)	<ul style="list-style-type: none"> • Midterm II • Reading: <i>Chapter 5, 9, 10, 15, 16, 21, 27, 28</i>