



Cornell University

ECON 3040 – INTERMEDIATE MACROECONOMIC THEORY

SPRING 2018

GENERAL INFORMATION

Instructor

Prof. Mathieu Taschereau-Dumouchel
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Office hours: M 4pm to 5pm

Teaching Assistants

Tilahun Emiru
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Th 9am to 10am

Lectures: MW 8:40am to 9:55am, Goldwin Smith Hall G76-Lewis

Sections: (210) Fr 1:25pm to 2:15pm, Baker Laboratory 219
(211) Fr 2:30pm to 3:20pm, Baker Laboratory 219
(212) Tu 9:05am to 9:55am, Rockefeller Hall 102
(213) Tu 10:10am to 11:00am, Rockefeller Hall 102

Description: ECON 3040 is an intermediate-level course in macroeconomics. The goal of the course is to provide a coherent framework for analyzing macroeconomic events (e.g. recessions) and macroeconomic policy, and thereby better understand the environment in which firms, households, governments and financial intermediaries operate. Throughout the course, the analysis is applied to current events, both in the U.S. and abroad.

The course is structured into three parts: measurement, micro-foundations, and general equilibrium analysis. The first part discusses how economists gauge the performance of the economy as a whole, with an additional emphasis on economic indicators that are useful in the real time analysis of the impact of macroeconomic events/news on the financial markets. The second part discusses the structure of the national economy by focusing on three major sectors and relating their decisions (studied in isolation) to the circular flows of income and expenditures in the aggregate economy. Finally, the last part combines the material discussed in parts one and two to analyze the general equilibrium of the economy as a whole, emphasizing the connections between the key sectors discussed in part one and two and relating them to the economy-wide market clearing conditions. Throughout the course, the material is applied to better understand such issues as cyclical fluctuations, economic growth and the stabilization role of monetary and

fiscal policy, as well as to specific topics such as the recent financial crisis, global imbalances, demographic aging, or the recent European debt crisis.

Website: All the course material will be on Piazza (accessible at the following address: <https://piazza.com/cornell/spring2018/econ3040/home>). Please visit the site frequently and make sure that you receive the announcements. Your grades for the various assignments will be on Blackboard.

Prerequisites: ECON 1110, ECON 1120 and Calculus. Students are not required to have taken (or simultaneously take) ECON 3030, but it doesn't hurt.

Contacting me: Before emailing me or a TA, please *read the syllabus* and *check the course announcements*. Please direct emails regarding problem sets and recitations directly to the TA leading your section. Please start the subject of all of your emails with the heading "ECON 3040" – otherwise I may miss your email. I typically answer emails within a day or two.

Please post questions related to course material, assignments, or exams to the discussion forum on Piazza. Note that you can make your post anonymous. Priority will be given to answering questions that are visible to the entire class. Student answers to questions are encouraged.

It is a violation of university policy and FERPA for me to discuss your grades over email. If you have a question about your grade, please make an appointment to see me during office hours.

Required text: The required textbook for the course is "Macroeconomics" by Abel, Bernanke, and Croushore [ABC] (Pearson, 9th edition). You are responsible for the material in the 9th edition, but if you want to purchase the 8th or the 7th edition used, they are close substitutes. Note that a loose-leaf version is also available.

Throughout the semester, you should keep current with economic news. A subscription to *The Financial Times*, *The Wall Street Journal*, *The Economist*, or a close substitute is recommended. Selected articles from these sources may be added to the list of required readings later during the semester. These sources are accessible through the Cornell library.

Student participation: You are encouraged to be active participants in lecture. Do not hesitate to ask a question if you are confused – more likely than not, another student shares your question. You are welcome to use laptops and tables for note-taking only.

GRADING POLICIES

The final grade for the course is based on examinations (2 prelims and 1 final exam) and problem sets. The weights are as follows: Examinations 80%, problem sets 20%. In-class participation might matter in marginal cases.

Exams: The prelims are scheduled for **Wednesday Feb 28th** and **Wednesday March 28th**. They are both in class. The final examination is scheduled by the administration for **Monday May 21st**.

The final exam will be assigned twice the weight of the prelims, yielding in effect four exam grades. The total examination grade for the course will be then computed as the average of the best three out of these four grades. The formula is intended to provide insurance against an anomalous performance during an exam. As a result, there are no make-up exams for the prelims or the final. If you miss one midterm for any reason whatsoever, you can simply use your

insurance policy and drop that exam.

Any request for a required make-up exam or for disability accommodations must be made at least one week before the exam. In case of serious illness on the final exam day, you must notify the professor *before* the exam begins, and provide official documentation from a doctor as soon as possible afterwards.

If you have a disability-related need for reasonable adjustments, please provide an accommodation letter from Student Disability Services within no fewer than two weeks prior to the need for accommodations.

All exams are closed-book but you are allowed to bring one 8.5"x11" cheat-sheet to prelim #1, two sheets to prelim #2, and three sheets to the final. Cheat-sheets can only contain your own notes and in your own handwriting. In particular, they may not contain large portions of reproduced notes or any other course materials such as slides, solutions manuals, answer keys etc. You can write on both sides of each sheet.

You will need your University ID to be admitted to an exam. You may use a calculator, but only if it cannot communicate with other devices. Please come to the exams a few minutes early. They will start on time. The teaching staff may film the classroom during an exam.

Problem sets: There will be 4-6 graded problem sets. Completed assignments must be submitted in-class before the lecture on the day the assignment is due. Assignments must be properly stapled. No electronic version or late assignment will be accepted.

You are encouraged to work together on problem sets, but each student must write out his or her own problem set in full to turn in for credit. Directly copying others' problem sets will be considered cheating.

Regrades: If you think that your prelim was graded incorrectly, you may request a regrade within one week after I return the exam. To do so, you must submit a written note explaining how you believe your exam was graded incorrectly. I will then regrade the entire exam. (Note that, as a result, your score may go down.)

Academic integrity: All of the usual policies apply (see <http://cuinfo.cornell.edu/aic.cfm> and <https://www.dfa.cornell.edu/policy/policies/campus-code-conduct>). Violations of these policies will be taken seriously. Students are most tempted to violate these codes when they are concerned about their course grade. If you are concerned to such a degree, please speak with me, a TA, or an academic advisor.

TENTATIVE CALENDAR

This calendar and the list of topics are subject to change.

Class #	Date	Topic	Readings
1	Wed 1/24	Introduction and overview	ABC chapter 1
2	Mon 1/29	Data and measurement	ABC chapter 2
3	Wed 1/31	Asset prices and economic news	
4	Mon 2/5	Productivity and output	ABC, chapter 3.1 and 6.1
			ABC, appendix A
5	Wed 2/7	Labor market	ABC, chapter 3.2 – 3.4
6	Mon 2/12	Unemployment	ABC chapter 3.5
7	Wed 2/14	Consumption and savings I	ABC chapter 4.1
			ABC appendix 4A
-	Mon 2/19	February break – No class	
8	Wed 2/21	Consumption and savings II	idem
9	Mon 2/26	Review session	
10	Wed 2/28	Prelim #1	
11	Mon 3/5	Investment and Goods Market Equilibrium	ABC, chapter 4.2 and 4.3
12	Wed 3/7	Asset market, money and prices	ABC chapter 7
13	Mon 3/12	IS-LM, AS-AD I	ABC, chapter 9.1 – 9.5
			ABC, appendix 9A and 9B
14	Wed 3/14	IS-LM, AS-AD II	ABC chapter 9.6
15	Mon 3/19	Business cycle and macro policy	ABC chapter 10
			ABC chapter 11.3-11.4
16	Wed 3/21	Historical recessions in IS-LM/AS-AD	ABC chapter 8.1
17	Mon 3/26	Review session	
18	Wed 3/28	Prelim #2	
-	Mon 4/2	Spring break – No class	
-	Wed 4/4	Spring break – No class	
19	Mon 4/9	Unemployment, Inflation and the Fed	ABC chapter 11.1, 12 and 14.4
20	Wed 4/11	Monetary Policy and the Fed: Part I	ABC chapter 14.1 and 14.2
21	Mon 4/16	Monetary Policy and the Fed: Part II	idem
22	Wed 4/18	International Trade and Capital Markets	ABC, chapter 5
23	Mon 4/23	Exchange Rates	ABC, chapter 13.1-13.2
24	Wed 4/25	Open economy IS-LM model	ABC, chapter 13.3 and 13.4
25	Mon 4/30	Fixed exchange rate and currency crises	ABC, chapter 13.5
26	Wed 5/2	Growth	ABC, chapter 6.2-6.4
27	Mon 5/7	The Great Recession	
28	Wed 5/9	Review session	
-	Mon 5/21	Final exam from 9:00am to 11:30am	