Econ210D: Intermediate Macroeconomics
Duke University Summer Term 1 2017

Contact Information
Instructor Adam Bergeron
Email amb140@duke.edu
Phone (352)-281-6762
Office Hours M F 11 am –noon; Bostok 412
Course Website https://sakai.duke.edu/x/ERs2Ol

Important Dates and Times
Class M – F; 9:30 – 10:45 AM; Social Sciences 119
Discussion W; 6 – 8:05 PM; Social Sciences 119
Midterm 1 Monday, June 5
Midterm 2 Monday, June 19
Final Thursday, June 29; 9AM – Noon
Mid-Course Evaluation May 31

General Information
Course Description This course provides a more in-depth look at important issues in macroeconomics than was offered in Econ 201. The main focus of the course will be to develop a micro-founded, general equilibrium model that can produce testable predictions and can address observations from short-run macroeconomic data. Throughout the semester we will build a model that incorporates relevant macroeconomic topics, such as household consumption and leisure behavior, firm investment decisions, and inflation dynamics. We will then consider the effects of government policy in this environment.

Towards the end of the course, we will consider a slight deviation from our benchmark model, which will allow us to think about the role of monetary policy in the economy. We will conclude the course by spending some time on long-run issues of growth.

Course Goals There are two main goals of this course. The first is that students attain a basic fluency in macroeconomic principles, issues, and policy. The second goal of this course is for students to develop tools for building and thinking critically about economic models. Further, by the end of this course
students should be familiar with using models to analyze macroeconomic events and the efficacy of governmental policy.

**Prerequisites**  Economics 201D  Economics 205D (or as a co-requisite at your own risk)  Mathematics 202, 212, or 222

**Course Resources** Much of the course will be based off of the Barro textbook:


However, I will not adhere rigidly to either the sequencing or content of the book. You will not be responsible for anything that I have not covered in class or a discussion section, or anything not mentioned in a homework problem or supplementary material. Nevertheless, having the book may be helpful for reviewing any concepts discussed in class. In fact, it would not be a bad idea to read the relevant chapters before we discuss the concepts in class. There is a lot of material to cover in this course in a relatively short time and this strategy may help to get the most out of the course.

In addition to Barro, we may also use some supplementary texts, such as relevant journal articles, policy papers, or newspaper articles discussing current events. These materials will be posted on Sakai at the appropriate time.

Please note that, while I will generally post any slides that I make on Sakai, for the most part I will lecture using the chalkboard. Therefore, coming to class is essential as I will not be posting the content from the majority of my lectures. If you have to miss class you should get the notes from a fellow student.

**Discussion Section** Discussion sections will be focused on review. In section each week, we will typically cover difficult homework problems from the last assignment or discuss additional problems relevant to recently covered material. In some cases we may delve a little deeper into a recent topic or review a particularly difficult concept. Discussion Sections are an opportunity for students engage with the material and attempt problems in the presence of the instructor and clarify any concepts from the previous week.

**Website** Sakai will serve as the course website. All course material will be posted on Sakai, such as problem sets, supplementary material, and optional readings. You will receive an announcement at your Duke e-mail address when something is posted.

In addition to relevant material, all grades will be posted on the site. If your grade on Sakai does not match up with the grade you received on your returned assignment or exam, it is your responsibility to notify me as soon as possible.
Mid-Course Evaluation As an instructor, I am always interested in hearing feedback from students about how the class is going. Thus, about a third of the way through the course I would like to have you take some time in class (5 – 10 minutes) to fill out a brief, anonymous online survey to ask how you feel the class is going, how you feel about your progress in the course, and solicit suggestions about the class going forward.

Evaluation

Participation Active participation is highly encouraged. Students who participate significantly and consistently throughout the semester will earn a half letter grade bonus. This means attending class regularly—no more than two class absences and one discussion section absence—and contributing to course activities. “Contributing” takes a lot of forms, including asking relevant questions in class. Much of discussion section will revolve around me introducing a problem, giving you some time to solve it, and then discussing the problem as a class or having a volunteer solve it on the board. We will do this in class as well, though less frequently. However, class will still involve plenty of participation opportunities.

Problem Sets There will be six problem sets, roughly one per week. Problem sets will be graded, though they will mostly be graded for effort. However, there will be some penalty if there are numerous errors. Problem sets will be graded on a scale of 0 – 3:

- 3 Complete and few errors
- 2 Complete but with numerous major errors
- 1 Mostly complete or fully complete but displaying low effort
- 0 Not turned in; not fully complete with major errors; complete with minimal effort

Late problem sets will incur a 2 point penalty. You may work in groups, though each student should turn in their own problem set.

Exams There are two midterms and a final. The final is cumulative. The second midterm will focus on a specific subset of topics, however since the concepts in this course tend to build on one another there will be some cumulative aspect to it. There will be no makeup midterms—if you have to miss an exam we will simply drop that exam score (see below).

Grading Scheme Problem sets will be worth 15% of your overall grade. Midterm exams will each be worth 25% of your grade while the final will be worth 35%. However, if you do better on the final than one of the midterms I will drop the lowest midterm grade and have your final count as 60%. As

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1 Meaning, sustained participation throughout the semester—not just participating a lot for two weeks and taking the rest of the semester off.
mentioned above, you will earn a half letter grade bonus for significant and consistent participation. The course grade cutoffs are as follows:

- **A +** \( x \geq 97 \)
- **A** \( 97 > x \geq 93 \)
- **A-** \( 93 > x \geq 90 \)
- **B+** \( 90 > x \geq 87 \)
- **B** \( 87 > x \geq 83 \)
- **B-** \( 83 > x \geq 80 \)
- **C+** \( 80 > x \geq 77 \)
- **C** \( 77 > x \geq 73 \)
- **C-** \( 73 > x \geq 70 \)
- **D+** \( 70 > x \geq 65 \)
- **D** \( 65 > x \geq 60 \)
- **D-** \( 60 > x \geq 55 \)
- **F** \( 55 > x \)

Due to the number of students in the course, instituting a course curve does not make much sense. Depending on the difficulty of the exams, I may curve exam grades, though you should not expect this. Please note, however, that this curve will be wholly dependent on how difficult I felt the exam was, and completely independent of student scores. Having been a TA for this course on numerous occasions, I have a good understanding about how well students typically do on these types of exams.

Final course grades are non-negotiable. I have no problem at all clarifying why points were taken off for a certain question, but I will not argue about the appropriate amount of points. If you feel something on your midterm was counted off in error, you can submit your exam for a regrade.

**Exam Regrades** Exam regrade requests must be submitted within two days of receiving the midterm back. With your request you should also submit a short, typed statement explaining why you would like the regrade. At that point I will regrade the entire exam, and your score can either go up or down. Please note that I will only regrade exams that are written completely in ink.

**Disability Statement**

Students with disabilities who believe that they may need accommodations in the class are encouraged to contact the Office of Services for Students with Disabilities at 919.684.5917 or disabilities@aas.duke.edu as soon as possible to better ensure that such accommodations are implemented in a timely fashion.

**Honor Code**

Students are expected to abide by the Duke University Community Standard:

- I will not lie, cheat, or steal in my academic endeavors;
- I will conduct myself honorably in all my endeavors; and
- I will act if the Standard is compromised

Instances of academic dishonesty will be reported to the University Administration.
Course Outline

Please note that the dates for the lectures are tentative and subject to change.

I. Introduction
   Lecture 1 (May 17)
   Chapter 1
   Economic Modeling and Data
   Short Run vs. Long Run
   Classical Economics

II. Robinson Crusoe
    1 Lecture (May 18)
    Chapter 2
    Leisure and Consumption in a Static Model
    Substitution and Wealth Effects

III. Credit Markets, Leisure, and Consumption in a Dynamic Model
     3 Lectures (May 19, 22, & 23)
     Chapter 3
     Intertemporal Substitution Effects
     Fisher Model
     Theories of the Consumption Function

IV. Labor Markets
    2 Lectures (May 24 & 25)
    Chapters 6 & 10
    Wage Determination
    Search and Unemployment
    Long Run Trends in the Labor Market

V. Money Demand and Supply
   2 Lectures (May 26 & 30)
   Chapters 4 & 17
   Baumol-Tobin Model
   Financial Intermediation

VI. The Basic Market Clearing Model
    1 Lecture (May 31)
    Chapter 5
VII. Inflation
2 Lectures (June 1 & 2)
Chapters 7 & 8

Actual vs Expected Inflation
Nominal vs Real Interest Rates
Inflation Dynamics
Anticipated vs Unanticipated Changes in Monetary Policy

June 5 Midterm 1 focusing on Topics I - VI

VIII. Investment, Firm Behavior, and the Business Cycle
2 Lectures (June 6 & 7)
Chapter 9

IX. Open Economy
2 Lectures (June 8 & 9)
Chapters 15 – 16

Current Account, International Debt
Terms of Trade and Real Exchange Rate Determination
Purchasing Power Parity, Interest Rate Parity, and Nominal Exchange Rate Determination

X. Government and Fiscal Policy
3 Lectures (June 12, 13, & 14)
Chapters 12 – 14

Government Consumption and Public Services
Taxes, Transfers, and Distortions
Debts and Deficits: Ricardian Equivalence Theorem of Debt Neutrality

XI. New Keynesian Model
3 Lectures (June 15, 16, & 20)
Chapter 20

The Federal Reserve, Revisited
Monetary and Fiscal Policy

June 19 Midterm 2 focusing on Topics VII - X

XII. Growth
3 Lectures (June 21, 22, & 23)
Chapter 11

Solow Model and Golden Rule
Endogenous Growth Models
Technology and Technological Progress
June 26 Tie-Up Loose Ends & Review
June 29 Cumulative Final