

MACROECONOMIC THEORY 1 (ECO 2201)

Monday & Wednesday, 2:50 – 4:30 pm (Section 1)

Room – AC 02 TR 204

Monsoon 2020

Instructor: Piyali Banerjee

Office: Faculty Cabins behind Centre for Gender & Sexuality

Office Hours: Monday & Wednesday, 1:00 -2:00 PM, or by appointment

Email: piyali.banerjee@ashoka.edu.in

Teaching Fellow: Prerna Yadav

Email: prerna.yadav@ashoka.edu.in

Discussion Sessions: To be announced (TBA)

TF's Office Hours: To be announced (TBA)

Required Texts:

[Carlin, W. and Soskice, D., 2015, *Macroeconomics – Institutions, Instability, and the Financial System*](#)

[Mankiw, N. Gregory, 2016, *Macroeconomics*, 10th edition \(or earlier edition\).](#)

[Dornbusch, R., Fischer, S., and Startz, R., 2014, *Macroeconomics*, 12th edition \(or earlier edition\)](#)

Lecture Notes, References:

- Copies of lecture notes will be available online.
- Reference materials will be updated at blackboard.

Course Pre-requisites:

Introduction to Economics (ECO 1001), and Mathematics for Economics (ECO 1010)

Course Description:

This course is compulsory for all Economics, PPE as well as Economics Minors.

This course takes the student to the next level of macroeconomics after the introduction s/he would have obtained in the Introductory course of the first year. The lecture notes will examine the determination of income, unemployment, the price level, interest rates and exchange rates in the economy. Piece-by-piece, we construct a 3- equation theoretical model (IS-MR-PC) that describes how each of these variables is determined in both the long- run, medium-run, and short-run through the aggregate demand and the aggregate supply. After the model is completed, we investigate issues of business cycle theory, foreign trade, and macroeconomic policy. Special attention will be paid to current developments in these issues. We will also work on advanced macro models.

Learning Goals:

Students will obtain a thorough and complete understanding of major issues of macroeconomics and macroeconomic models at the intermediate level.

Exams:

There will be three mandatory midterm exams to be given during the semester and a final exam. Each exam will consist free response/short answer section. **The midterm exams will consist the new materials only, while the final exam is cumulative.** Note that the final exam is optional.

The exam questions involve diagrams and/or equations emphasizing material covered in the lectures. Calculators may be used on exams but may not be shared.

**Based on the current pandemic situation some of the midterm exams will be the take-home exams, while the others will be closed book exams only if the university opens. Else, all the exams will be the take-home exams.*

To succeed on the exams, you will need to understand the course materials very well.

Exam Dates:

<u>Exam</u>	<u>Date</u>
Midterm 1	Wednesday, Sept. 23, 2020
Midterm 2	Wednesday, Oct. 21, 2020
Midterm 3	Wednesday, Nov. 25, 2020
Final	To be announced (TBA)

Note that these are the most likely exam dates.

Homework Assignments:

After finishing each chapter, homework will be uploaded at your LMS with the deadline. You must let me know earlier (through email) if you are going to miss the deadline. Else, you will receive zero at that respective assignment(s).

The solution of homework assignments will be uploaded time to time online. *Once the solution is uploaded, that homework will not be accepted.*

Grading Policy:

Your final grade is determined by your performance in the class, homework assignments, midterm exams, final exam, class participation, and *class attendance (class attendance will only be counted if university opens*)*.

**Points will be deducted for absences (more than 2 absences) and grades can be lowered significantly for more than 2 full letter grades (for example, B to D, A to C) for excessive absences (more than 6 absences). For instance, if total class count is 20, then if you have 2 absences, I will not deduct any point. If your total absence is 6, then you will get 16 out of 20 for attendance. Students who will attend all the classes will get 22 out of 20 for attendance.*

Note: If the entire semester will be held online, class attendance will not matter. In this situation, the 15 points below will be allocated entirely to your class participation.

The weights attached to each are shown below:

<u>Description</u>	<u>Points</u>
Three Midterm exams	150 points
Final Exam	100 points
Homework assignments about	75 points
Class attendance and participation	15 points

	Total 340 points

What Grades Mean

- **A, A-** Excellent quality and full mastery of the subject. A grade of A means extraordinary distinction.
- **B+, B, B-** good comprehension of the course material, a good command of the skills needed to work with the course material, and the student's full engagement with the course requirements and activities.

- **C+, C, C–** adequate comprehension of the course material and the skills needed to work with the course material. This indicates the student has met the basic requirements for completing assigned work and participating in class activities.
- **D+, D, D–** barely satisfactory work indicating minimal command of the course materials and minimal participation in class activities.
- **F** unsatisfactory and unworthy of course credit towards the degree.

Percent	Letter Grade	GPA Quality Points
90 - 100	A	4
85 - 89	A-	3.7
80 - 84	B+	3.3
75 - 79	B+	3
70 - 74	B-	2.7
65 - 69	C+	2.3
60 - 64	C	2
55 - 59	C-	1.7
50 - 54	D+	1.3
45 - 49	D	1
40 - 44	D-	0.7
< 40	F	0

Policy on Missed Exams, and Homework:

Students are forewarned well in advance of the exam dates and should schedule your time accordingly and decide for other potential conflicts. **If you will miss a midterm exam for a university sanctioned reason, you must contact me *before the start of the missed midterm exam with written documentation for the absence* (and contact information for the person issuing the excuse). **If the absence is approved, then you will be given the makeup exam. If you miss a midterm exam without my prior approval, you will receive a score of zero at that exam.****

If the exam(s) is (are) needed to organize online, like the take home exam, students are required to maintain the deadline(s) of the exam(s). Failing to meet deadline implies that the student will get zero at that exam.

Things to do:

For each chapter, we will do:

- Lecture in class

- Practice exercises
- Homework assignments
- Applications to Current Issues

Course Expectations: It is expected that all readings will be completed by the start of class and that you come to class ready to participate.

Class Participation: Attendance and class participation are encouraged in order to have a successful experience in this course. I will not offer a make-up exam without a valid excused absence.

Class Conduct: The classroom is a formal space and a place for mutual respect. I pledge to do everything I can to make the classroom environment a conducive place for learning. I expect that students will do the same. *To maintain this formal atmosphere, please refrain from the following activities during class: texting or talking on the phone, chewing, eating a large quantity of food, or distracting other students from completing in-class work.*

Class Schedule Conflicts: If you are involved in an extra-curricular activity such as sports or choir that might have a time conflict with the class, please let me know about this as soon as possible. If an exam occurs on that day, accommodations can be made.

Other Information:

1. **Academic Conduct and Etiquette:** All acts of dishonesty in any work constitute academic misconduct. Cell phones must be turned off during class time. Do not leave the room during the class without permission.

Having or using any materials that are not explicitly authorized by the instructor is not permitted. For example, test banks and other materials developed and made available for instructors are not permissible for use regardless of where they were obtained. If you are not sure if something is permissible, check with the instructor.

2. **Cheating:** will not be tolerated. All violations will result in an F for the course and will be strictly enforced according to the terms of The University of Alabama Academic Honor Code. Signing attendance for another student is considered academic misconduct.
3. **Special Accommodation and Support:** Ashoka University offers an inclusive education framework that welcomes, nurtures and supports students with learning difficulties. The Office of Learning Support (OLS) has been established at the University to design various activities related to the management of such learning difficulties. Students are welcome to request learning support for their specific condition and the university will make its best efforts to extend as much support as possible for each course. The university is geared to support learning difficulties due to Dyslexia, Dyscalculia, Dysgraphia, ADD/ADHD, and visual impairment.

Contact the OLS for any additional information you may seek to better understand the process and scope of their support services at ols@ashoka.edu.in

In addition to the OLS, there is also an on-campus counselling center at Ashoka University which is dedicated to the care and well-being of mental health of the Ashoka fraternity. It is comprised of trained therapists who offer a range of services. Email: well.being@ashoka.edu.in

(This document was last updated on 4 August 2019)

Course Outline:

Topics

Readings

Part I. 3-equation model (IS-MR-PC) in the closed economy: The Introduction

1. The Demand Side: The Investment-Savings (IS) curve

C & S, Ch. 1

C & S, Ch. 2

2. The Supply Side: Unemployment & Phillips Curve

Part II. The New Keynesian Theory

C & S, Ch. 3

3. The 3-equation model and Macroeconomic Policy

Midterm 1

4. Expectations: Phillips Curve, Expectations & Inflation (Adaptive and Rational Expectations)

C & S, Ch. 4

5. Money, Banking & The Macro-economy: Monetary Rule & Central Bank's Loss Minimization

C & S, Ch. 5

Midterm 2

Part III. 3-equation model (IS-MR-PC) in the open economy

6. 3-equation Model in The Open Economy C & S, Ch. 9

7. Monetary Policy Channels in Open Economy C & S, Ch. 10

8. Monetary Policy's Role in Stabilization & Debt Dynamics C & S, Ch. 13

Midterm 3

9. Real Business Cycle & New Keynesian Models C & S, Ch. 16
D, F & S, Ch 21

Final Exam (Cumulative)