

YORK UNIVERSITY
Department of Economics

INTERMEDIATE MACROECONOMIC THEORY II
ECON 2450 Section A
Fall 2017

Continuously updated, this version from 18 September, 2017

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Office: Vari Hall 1056

Lecture hours and location: Mondays, 4-7 pm, in ACW 006.

Office hours: Mondays 2-3 pm. *Note that I discuss marking and grading in writing only, if at all.*

You may also try to send questions by email (lagerlof@econ.yorku.ca). I often reply relatively quickly if the questions are short and clearly formulated, but not always, and in particular not to repetitive or rude emails. Also you should always make use of the TA’s office hours before seeing or emailing me (see below).

Note also that the email server is down from time to time, in which case I do not reply to emails. This I cannot do anything about.

It is important that you indicate your name, SID number, and the relevant course code (in this case Econ 2450) in all emails. I rarely reply if this information is missing.

Teaching assistant: Francisco Mawaka Luswa. Office: Vari Hall 1131. Office hours: Tuesdays 1-2.30 pm and Thursdays 3-4 pm. Email: Aime2206@yorku.ca.

Teaching website: <http://www.nippelagerlof.com/teaching/teaching.htm>

Late enrollment: I never sign any papers to let students enroll late.

Math requirements: For math preparation you should look at the material on my Econ 1530 website, as I taught it in 2005 (see link above). I have also posted some a brief math overview on the 2450 website.

Textbook and class attendance: There is no formal or required textbook for this course. Instead, there is a set of slides, problems, and some other material, which will all be published on the course website, and might be updated and corrected as we move along.

To do well in (or even pass) this course requires more than just reading the posted material. To understand what goes on you will need to attend class and take notes. While the grade depends on your performance on the midterm exams, I do record class attendance as well. Attending class is not only about learning the course material, but also about building credibility if you were to miss a midterm exam. It also helps developing professional habits for the future.

Keep in mind that servers can crash, in particular in the days and nights before exams. This is another good reason to keep your own lecture notes.

Many textbooks cover related material, so if you already have a textbook from an earlier course, e.g. Econ 2400, then you can browse that as we move along, if you find it useful. For example, some parts of this course partly match with Stephen Williamson's "Macroeconomics" (any recent edition). However, you should not buy any new textbook for this course alone. Instead, the slides and problems posted should give you enough material to work with. If you find the calculus in this course difficult, you may instead want to find some old math book to practice.

General course description: Due to some new decrees regarding course contents, the structure of this course is evolving and a bit in flux. Compared to earlier years, all the IS-LM material will be dropped (most of Section A in the slides and problems). A rough plan might look something as follows:

- Some background: the end of Section A of the slides, from "Discussion"
- Unemployment and labor markets (Section B)

- Perfectly competitive markets
- (Skip Union Wage Setting)
- Efficiency wages
- Intertemporal models, open economy macro (Section C)
 - Closed economy with no production
 - Closed economy with production
 - Open economy with production
 - Open economy with no production, but credit market imperfections
- Monetary policy (Section D)
 - The quantity equation
 - Price and wage setting
 - Money and business cycles
 - Rational expectations
 - Dynamic consistency problems

Grading scheme: There are three midterm tests all held in class. Preliminary dates for these are posted below. There is no final exam. Therefore, concepts like “deferred standing” have little meaning in this course, as explained below.

Let your mark on the first midterm be M_1 , the mark on the second be M_2 , and the mark on the third be M_3 . All these (M_1 , M_2 and M_3) are numbers between 0 and 1 (i.e., they lie on the interval $[0, 1]$).

The overall mark (which can be labelled the “numerical grade”) is denoted W and determined by this function:

$$W = 0.3M_1 + 0.5M_2 + 0.2M_3.$$

The (letter) grade, denoted G , is determined by the following function:

$$G = \begin{cases} \text{A+} & \text{if } W \geq 0.95 \\ \text{A} & \text{if } W \in [0.85, 0.95) \\ \text{B+} & \text{if } W \in [0.75, 0.85) \\ \text{B} & \text{if } W \in [0.7, 0.75) \\ \text{C+} & \text{if } W \in [0.65, 0.7) \\ \text{C} & \text{if } W \in [0.55, 0.65) \\ \text{D+} & \text{if } W \in [0.5, 0.55) \\ \text{D} & \text{if } W \in [0.45, 0.5) \\ \text{E} & \text{if } W \in [0.4, 0.45) \\ \text{F} & \text{if } W < 0.4 \end{cases}$$

Some remarks to note:

- Students who miss or do poorly on the first midterm should be aware that this is costly, since I am reluctant to deviate from the above grading scheme by giving higher “weight” to the other midterms. I advise that students who are absent from, or do poorly on, the first midterm drop the course.
- Exams in this course cannot be “deferred.” The Registrar’s Office states in writing that:¹ “When students do not or cannot write a mid-term examination (not held during the formal examination period), alternate arrangements to write the mid-term examination should be made within the duration of the course by the course director and individual student *at the discretion of the course director. The Deferred Standing Agreement does not apply.*” (Italics added.)

¹See the RO’s Web site:

<http://www.registrar.yorku.ca/exams/deferred/index.htm>

- The second and third midterm exams cover all material taught in the course up until then (i.e., not only what has been taught since the most recent midterm).

Assignments: There will be no formal assignments to hand in, but we will do problems in class that are posted on the course web site. You should make sure you at least *try* to solve them: it's very valuable training.

Dates for the midterm exams: The three midterm exams are all held in class on these preliminary dates:

- 16 October, 2017.
- 20 November, 2017.
- 4 December, 2017.

Length and format of midterms: The midterm tests are held in class and typically consist of three problems. They are about 2 hours and 15 minutes long.

Material covered for the midterms (preliminary):

The **first midterm** will cover the end of Section A of the slides (from “Discussion, Keynesian models are old”), and all of Section B of the slides and the problems, but we skip the section on Union Wage Setting in the slides and Problem B.2.

The **second midterm** will cover all of the material that was covered for the first midterm (see above). It will also cover all of Section C of the slides and the problems, but not Section D.

The **third midterm** will cover all of the material that was covered for the first and second midterms (see above). It also covers the part of Section D of the slides titled “Dynamic (or Time) Consistency”, and Problem D.2. We skip the rest of Section D of the slides (before Dynamic Consistency), and Problem D.1.

We skip section E altogether.

Note on academic integrity: York University publishes information online about the consequences of cheating:

<http://www.yorku.ca/academicintegrity/>

Tips on communicating by email

Below are some practical suggestions about how you can translate mathematical expressions into text that you can write in the body of a standard e-mail.

Math	Text
x^a	x^{a}
x_a	x_{a}
$\frac{a}{b}$	a/b
$\frac{a+b}{c+d}$	(a+b)/(c+d)
α	alpha
β	beta
γ	gamma
$\sum_{i=a}^b x_i$	sum from i=a to i=b of x_{i}
$\int_{i=a}^b x_i$	integral from i=a to i=b of x_{i}