Macroeconomic Analysis (Econ 602)

Spring 2002

Instructor: Joydeep Bhattacharya
T.A: Moohoun (Tom) Song

- Class time: Tuesdays and Thursdays 11-1, Heady 272
- Section time: Fridays, 11-12:30 Heady 162
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- Instructor office hours: Tuesdays 3:30-5 or just stop by
- T.A office: 75 Heady; ph: 4-5452; tomsong@iastate.edu
- T.A office hours: to be announced

1 Course Description

This is the first 10 weeks of Part 1 of a two-part sequence in macroeconomic theory.\(^1\) The aim is to (a) familiarize students with some of the theoretical tools used in modern mainstream macroeconomics research, and (b) to offer students a chance to have a quick peek at the research frontier. The focus will be on a wide variety of theoretical models with one unifying theme: dynamic optimization. The main workhorse model will be the overlapping-generations setup; we will use it to study issues of monetary theory, capital accumulation, social security, optimal tax mix, inflation, income distribution, banking etc. After taking 602 and 604, you will become fluent in the language spoken by today’s macroeconomists, and hopefully begin to think like one!

2 Readings

There are two texts: Thomas Sargent, *Dynamic Macroeconomic Theory*, and Costas Azariadis, *Intertemporal Macroeconomics*. We will make heavy use of both. Attendance at lectures is not a great substitute for thorough reading of these texts. If budget constraints do not bind, buy both these texts (in any case, they are excellent reference books to keep on one’s bookshelf later in life). Otherwise, make good use of the photocopy machine! There is also a set of important readings from technical journals which will supplement the text. Sometimes a visit to www.jstor.org will be required. From time to time, I will also direct your attention to certain optional reading material. It is strongly recommended that you read all the required readings and some of the recommended ones.

It is also useful to start your academic career with some good habits: (a) regular reading of technical general-interest journals in economics such as *Journal of Economic Perspectives, American Economic Review, Journal of Political Economy, Quarterly Journal of Economics*, etc., and (b) regular reading of *The Economist* (all these are to be found in the 3rd floor reading room).

\(^1\)The last 5 weeks of Econ 602 (possibly starting April 2) will be taught by Professor Matthew Doyle.
3 Course requirements

There will be two exams. The dates for the exams are February 14 and March 28. The two exams will have a combined weight of 50%. The remaining 16.6% will be allocated to (a) problem sets (10%), and (b) class participation and attendance at the Friday macroeconomics workshops in the department (6.6%). Attendance in class is not compulsory but is strongly recommended. No make-up exams will be given. The midterms will be given during class time. All exams will be of the closed-book, no-notes variety. The third exam will be conducted by Prof. Doyle at the end of the course and will carry a weight of 33.3%.

4 Assignments

Each week or so (at least in the first six weeks) a problem set will be handed out — it will be due in class, (at the beginning of class) typically a week from the date of issuance. The problem sets serve two purposes: a) they help fix concepts taught in class, and b) they cover holes in lectures. Please pay special attention to writing up your solutions neatly and legibly, showing all the steps. Typed solutions are especially welcome! Late problem sets will receive zero credit and will not be graded. Exams will closely follow the questions in the problem sets. Problem sets will be graded on a $\sqrt{+}$, $\sqrt{}$, $\sqrt{-}$, and 0 scheme. Making a good faith attempt at answering all the questions will immediately assure you of a grade of $\sqrt{+}$. The T.A will go over some of the problems from the problem sets in the discussion session on Fridays. I strongly encourage you to attend these. Solution sets to problems and exams will not be handed out. The T.A will grade all problem sets and exams. I will look over the exams before handing them back to you. I respect the TA’s decision in all grading related matters.

You are encouraged to form study groups and work on the problem sets together. Each student is however required to write up the solutions individually. Do not copy (or allow someone else to copy) directly from someone else’s (your) solutions. I report all violations of academic integrity to the appropriate committee in the university.

5 Final remarks

Feel free to stop by my office and discuss any academic or in some cases, non-academic issues. Make use of the TA’s office hours. The easiest way to get a hold of me is via e-mail. For the most part, paying attention in lectures and doing the problem sets diligently is all the preparation you’ll need. Don’t lag too far behind — it’ll make the job very hard in the end. Do not deceive yourself by copying solutions to problem sets; remember, you’ll have to take the qualifiers some day.