

NORTH CAROLINA STATE UNIVERSITY  
Department of Economics

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Spring

EC 302  
Intermediate Macroeconomics

This course discusses how the economy as a whole works. Some particular topics are aggregate output, employment, unemployment, inflation, interest rates, investment, economic growth, government deficits, and the international trade balance. We will examine the theory that explains these things and see some practical applications of the theory.

Course Prerequisites

The prerequisites for this course are

- (1) EC201 or ARE201,
- (2) MA121 or MA131 or MA141, and
- (3) willingness to work.

Some basic calculus is required. The course repeatedly uses derivatives and total differentials. It also occasionally uses maximization and one result on infinite series. Some students have complained in the past that these are elements of “higher calculus.” If that is your opinion, I recommend you drop the course immediately.

Course Level

This is an intermediate level course. It is, however, a serious course intended for serious students. Past attendees sometimes have complained that it is “a graduate level course.” Anyone who thinks that is invited to visit one of my graduate courses to see what such a course is really like.

Class Attendance

It doesn't matter to me whether you attend class or not. How you choose to learn is your business, not mine.

Teaching Philosophy

My teaching philosophy can be summarized, perhaps a little too cryptically, by the following remark:

“The interested student will find a way to learn.” [An Italian school teacher, unfortunately anonymous.]

There is a fundamental confusion in American society over who is responsible for a student's learning a subject. It is not the teacher; it is the student. Almost no one can learn a technical subject such as economics by merely sitting back and listening to a professor talk or by playing entertaining games in class. Hard work is required. You must spend much time outside class studying your lecture notes, reading the textbook, doing exercises, and thinking about what everything means. The consolation is that if you work hard, you will learn, even if you consider me a terrible teacher.

I teach in the traditional lecture format, in which I explain the material and you listen and ask questions. You then go back to your dorm room and study. This university is very enamored of recent teaching fads, called “active learning.” In my opinion, those methods are mostly rubbish that confuse feeling good with learning something. My commitment as the professor is to the subject. My job is to choose the relevant material and present it to you in a coherent way. It is not my job to find ways to make the subject interesting to you. I am a social scientist, not an entertainer. Your commitment as the student is to studying. Your job is to learn the subject matter of the course. You are students, not merely an audience seeking diversions to pass the time.

### Grading

We will have ten short **quizzes**, five to fifteen minutes long. There will be one **midterm** around the middle of the semester and a **final exam** after the semester ends. The final exam will be cumulative, covering all the course material. The quizzes will be multiple-choice in format; the midterm and final will be both multiple-choice and essay in format. Each quiz counts for 4% (for a total of 40%), the midterm for 20%, and the final for 40%. If you do much better on the final than you have been doing up until then, I will give the final extra weight. Exactly how much better and how much more weight are matters of judgement that I will decide on the spot.

Your numerical grade for the course converts to a letter grade according to the following scale:

95-100: A+	75-79 : B+	55-59 : C+	35-39 : D+	0-19 : F
85-94 : A	65-74 : B	45-54 : C	25-34 : D	
80-94 : A-	60-64 : B-	40-44 : C-	20-24 : D-	

Remember - grades are earned by the students, not given by the instructor.

### Text

The text for the course is

Robert J. Barro, Macroeconomics, 5th edition

### Some Advice - PAY ATTENTION.

Most of what we will study agrees with common sense but is not always simple or obvious. It has much subtlety that requires work and, more importantly, thought. Work and thought take time and effort. To get much out of this course, you will have to put a lot into it. A serious student puts into any course about three times as many hours outside class as inside class, usually more early in the semester and less later. Those who are majoring in social life and minoring in beer, who are here only to fill a distribution requirement, who want to leave college with a diploma but don't much care about an education, or who call themselves “students” but don't bother to do much studying will find this section of EC 302 much too demanding and should go elsewhere. If you are willing to do the required work, you should learn many interesting and useful things. It's all a matter of how you want to spend your time, which is a choice only you can make. Make it now.

## COURSE OUTLINE AND SCHEDULE

\* = quiz date

<u>Date</u>	<u>Topic</u>	<u>Reading</u>	<u>Problem Set Due</u>
Jan 9	Choosing consumption, labor, and income.	Barro 2	
Jan 11	Choosing consumption, labor, and income, cont'd.		
Jan 16	Holiday - No class		
Jan 18*	Money and bonds. Intertemporal choice.	Barro 3	
Jan 23	Intertemporal choice (cont'd).		#1
Jan 25	Infinite horizons.		
Jan 30	Permanent income.		#2
Feb 1*	Demand for money.	Barro 4	
Feb 6	Demand for money (cont'd).		#3
Feb 8*	Basic market clearing model. Walras' Law.	Barro 5	
Feb 13	Equilibrium: shocks and responses.		#4
Feb 15	Aggregate output and prices.	Barro 1	
Feb 20*	Government purchases.	Barro 12	#5
Feb 22	Changes in purchases. General equilibrium.		
Feb 27	Government debt and deficits.	Barro 14	#6
Mar 1	Government debt and deficits, cont'd.		
Mar 6*	Real and nominal interest rates.	Barro 7	#7
Mar 8	MIDTERM EXAM		

Mar 13 & 15	Spring Break - No class.		
Mar 20	Money growth, inflation, and interest rates.	Barro 8	
Mar 22*	Labor market.	Barro 6	
Mar 27	Unemployment	Barro 10	#8
Mar 29*	Taxes, distortions, and choices.	Barro 13	
Apr 3	Taxes and general equilibrium.		#9
Apr 5*	Capital and production. Demand for capital and investment.	Barro 9	
Apr 10	General equilibrium with investment.		#10
Apr 12	No class		
Apr 17	Productivity shocks.		
Apr 19*	Capital accumulation and growth.	Barro 11	#11
Apr 24	Growth (cont'd).		
Apr 26*	International trade.	Barro 15	
May 1	International trade, cont'd.	Barro 16	#12
May 3	Review		