

Faculty of Arts and Social Science
Macroeconomics II (ECON 504)

Riccardo Franceschin

10 February 2023

Instructor

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Course Organization:

The course has 3 hours of classes per week. We will have one hour every Monday and two hours every Tuesday.

Our classrooms will be FASS 1081 on Monday and **FMAN** G056 on Tuesday (notice the different building)

In some weeks, there will be 1 hour of recitation on Wednesday, but not all weeks. I will announce in class and via email the weeks in which recitation is held.

Course Objectives

This course is the second part of the macroeconomic theory sequence that aims at introducing you to the methods of, and some of the issues in modern macroeconomics. Therefore the content of ECON 503 is taken from granted, even though we will start the semester by revising the deterministic and stochastic versions of the neoclassical growth model.

The main source of readings for the course is the **lecture notes**. Supplementary readings for each topic are listed below. The reading material can be obtained at the Reserve Collection of the Information Center. Additional readings may be assigned throughout the semester.

Course Textbook

- **Lecture notes**
- **Lars Ljungqvist and Thomas Sargent**, Recursive Macroeconomic Theory, *2018*, 4th Edition, The MIT Press
- **Christopher Pissarides**, Equilibrium Unemployment Theory, *2017*, 2nd Edition, The MIT Press
- **Jord Galí**, Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and Its Applications, 2nd Edition, Princeton University Press

Course Outline (subject to adjustments)

First Part

- Review of the Deterministic and Stochastic Neoclassical RBC model (Ljungqvist and Sargent)
- Search Frictions and Random Search Models (Pissarides)
- Direct Search Models

Second Part

- Price Rigidity and the Neo-Keynesian Framework (Galí)
- Optimal Monetary Policy in Neo-Keynesian Framework
- Credit Market Imperfections (if times permits)

Course Requirements and Grading

The definition for scholastic dishonesty is given in the rules and regulations of the Sabanci University. Cheating during written work will result in a course grade of F. All incidents of scholastic dishonesty will be reported to the Dean's Office.

The syllabus is subject to change depending on changing circumstances and the regulations of the Higher Council of Education (YÖK). Students will be notified prior to any changes.

There will be one **optional** midterm exam and one final exam as well as homework assignments and a class presentation.

The students will be divided in groups and each group will be asked to present a paper chosen from a reading list of papers to be provided during the course. The group dimension will vary depending on the numbers of students in the class. The presentation will determine 10% of the final grade.

Another 15% of the grade will be determined through home-works and class participation. Class participation does include but it is **NOT** limited to class attendance. The students are asked to **actively participate in discussions and presentations**.

The weights are as follows:

- Midterm Exam: 37.5%
- Final Exam: 37.5%
- Homeworks and Class Participation: 15%
- Presentation: 10%

The midterm is **strongly suggested**. Students that will not take the midterm exam (both willingly or for other impossibilities, such as health problems) will have a longer final exam covering the whole course, weighting 75% of the grade. Moreover, students that want to improve their midterm grades can also take the full final exam, eliminating the previous mid-term grade.

Make-up exam for the final exam will be performed as **oral exams**.

The date of the midterm is not fixed yet.

Homework assignments will be posted on Sucourse and you will have to upload your answers on Sucourse. Late submissions will be penalized: if you fail to turn in homework on time, you will receive a lower score depending on the delay. Students may work together on homework assignments (it is actually strongly **encouraged**), but **MUST** write up their answers independently.

Homework are **NOT** optional, not presenting assignments will result in a 0 grade for the homework component entering the final vote.

Class Attendance

Class attendance is expected. Students are responsible for all material covered during lectures and all course announcements made during lectures.

Moreover, part of the grade will be determined by class participation that includes (**but is not limited to**) class attendance.