EC 205 Macroeconomics I  
Fall 2015  
Syllabus

**Instructor:** Orhan Torul  
**E-mail:** orhan.torul@boun.edu.tr  
**Website:** [www.econ.boun.edu.tr/torul](http://www.econ.boun.edu.tr/torul)  
**Office:** Natuk Birkan Building NB 225A

**Lectures:**  
Section 02: T78 NH 305 (Tuesday 15:00-16:50 New Hall 305) &  
Th7 NH 301 (Thursday 15:00-15:50 New Hall 301)

**Office Hours:**  
F56 (Friday 13:00-14:50) or by appointment (NB 225A)

**Course website:**  
Boğaziçi University Moodle Pages  

**Textbook:**  
(6th and 7th editions are also fine, yet students holding the earlier versions of the book are responsible to keep track of changes in the editions.)

**Prerequisites:**  
EC 102 Principles of Macroeconomics

**Course Objectives:** The main objective of the course is to enable students to have a sound understanding of macroeconomics by studying the foundations of the modern macroeconomic theory. For this goal, we will analyze several well-established macroeconomic models with different features and assumptions to explore different aspects of macroeconomics. Our initial focus will be on the long-run aspects of macroeconomics. We will first be studying the “classical theory” so as to understand what determines main macroeconomic variables in the long horizon, such as long-run output, unemployment, inflation, interest rate, among others. Next, we will concentrate on short-run dynamics and real business cycles. We will be making use of the Keynesian IS/LM models so as to investigate the causes of short-run fluctuations and how policy-makers can fine-tune the economy in the event of adverse or favorable shocks by the use of fiscal and monetary policies. Finally, we will discuss concerns and shortcomings of the Keynesian models, and explore the foundations of “Real Business Cycle” theory, which uses consumer optimization by the use of constrained optimization at its heart.

**Grading:** The final grade will be based on problem sets, midterm exams, and a cumulative final exam. The weights are as follows:
• 5 Problem Sets: 15% (each of which has a weight of 3%)
• 2 Midterm Exams: 50% (each of which has a weight of 25%)
• Final Exam: 35%

The standard catalog grading protocol accepted at Boğaziçi University is as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Interpretation</th>
<th>Weight</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Excellent</td>
<td>4.0</td>
<td>90%</td>
</tr>
<tr>
<td>BA</td>
<td>Good-Excellent</td>
<td>3.5</td>
<td>85-89%</td>
</tr>
<tr>
<td>BB</td>
<td>Good</td>
<td>3.0</td>
<td>80-84%</td>
</tr>
<tr>
<td>CB</td>
<td>Passing-Good</td>
<td>2.5</td>
<td>75-79%</td>
</tr>
<tr>
<td>CC</td>
<td>Passing</td>
<td>2.0</td>
<td>70-74%</td>
</tr>
<tr>
<td>DC</td>
<td>Passing-Poor</td>
<td>1.5</td>
<td>65-69%</td>
</tr>
<tr>
<td>DD</td>
<td>Poor</td>
<td>1.0</td>
<td>60-64%</td>
</tr>
<tr>
<td>F</td>
<td>Failed</td>
<td>0.0</td>
<td>0-59%</td>
</tr>
</tbody>
</table>

Yet, your letter grades may be adjusted based on the average and standard deviation of the cumulative grades of the class.

Please check the last day for withdrawal from academic calendar page.

**Tentative Midterm Exams:**

• Midterm Exam I: November 5th, 2015, Thursday
• Midterm Exam II: December 4th, 2015, Thursday

The first midterm will be on the subjects covered up to first midterm, and the second midterm exam will be based on the topics covered between the first midterm exam and second. Midterm exams can be in-class exams or can be given after 17:00. Either way, it is imperative to be on time since extra time will not be given for late arrivals. Midterm exams will have both multiple choice, and problem-solving & essay parts.

**Final Exam Requirements:** In order to be able take the final exam, students are required to earn at least 40% of the available points on the midterms and problem sets. Students below this threshold will be announced on the course website prior to the final exam date, and they will not be allowed to take the final exam.

**Final Exam:**

• Final Exam: January 2016, TBA

The final exam will be comprehensive, with a greater weight on the post-midterm 2 topics. Timeliness is expected since extra time will not be given for late arrivals. Final exam will also be comprised of both multiple choice, and problem-solving & essay parts.

**Attendance:** Regular attendance is expected and very strongly recommended.
Problem Sets: There are going to be five problem sets, all of which are going to be graded, each contributing to 3% of your overall grade. Problem sets are going to be posted online, and their due dates are going to be announced on the course web site along with problem sets. Please check course web site frequently so as not to miss deadlines.

Problem Sessions (Recitations): There will be weekly/biweekly problem sessions held by your teaching assistants (date and time will be announced). Attendance is strongly recommended but not required.

Communication: Most of the course materials (except for those by the text book publisher) will be posted on the course website. E-mail is going to be used as the primary means of communication outside the classroom, and I will be sending e-mails whenever necessary to inform you on updates of the course. Please make sure that the e-mail address you have with the Registrar’s Office is up-to-date so that you will not miss any of the announcements.

Make-up Exam Policy: All students are required to attend both the midterm and final exams. Make-up exams will be granted only to those students whose excuse complies with the University policy. If you believe you are eligible to take a make-up exam, please inform me and provide the appropriate documentation as soon as possible, no later than one week (7 calendar days) after the exam, preferably before. Make-up exam requests should be directed to me in person with proper documentation (along with a clear written explanation of the reason of absence accompanied with the valid excuse documents).

Exam Re-grade Policy: If, after going over your exam and the exam solutions, you believe some of your solutions were more correct than originally judged to be, you may submit, in writing, an exam re-grade request. Your re-grade request must specify which solutions(s) you believe were not graded appropriately and a substantive explanation for why you believe your solutions is more correct than originally judged (thus, re-grade requests that consist of essentially nothing more than “I think I should have received more points on this question” will not be considered). Your entire exam is subject to re-grade, thereby raising the possibility of a lower grade. Exam re-grade requests are due no later than one week (7 calendar days) after exams are announced – this deadline applies even if you are not present in class the day graded exams are returned (it is your responsibility to pick up your graded exams in a timely manner).

Accommodations: Students who require special accommodations for exams must get in contact with me within the first two weeks of classes.

Academic Integrity: The undergraduate program of the Department of Economics is conducted within the framework of the Student Discipline Regulations of the Turkish Council of Higher Education (TCHE, Yüksekoğretim Kurulu, YÖK in Turkish), and rules accepted by the Boğaziçi University Committee on Ethical Conduct. For the student discipline regulations by the TCHE (YÖK), see (in Turkish):
For the ethics code accepted by Boğaziçi University, see: http://bit.ly/bounethics
The students of the Department of Economics are also informed about the consequences of academic dishonesty at the EC 103 Orientation to Economics course. For a brief refresher, see http://bit.ly/ec103notes

**Copyrights:** Course materials are copyrighted. Selling or distributing copies or modified copies of instructors’ course materials or assisting another person or entity in selling or distributing those materials without permission is strictly prohibited.

**Outline of topics:** The following is a sketch of topics we will cover this semester – it may be modified as the course progresses, and is only tentative.

<table>
<thead>
<tr>
<th>Tentative Week</th>
<th>Required Reading</th>
</tr>
</thead>
</table>
| Week 1: Sept. 29-Oct. 1 | Chapter 1: The Science of Macroeconomics  
Chapter 2: The Data of Macroeconomics |
| Week 2: October 6-8 | Chapter 3: National Income: Where It Comes From and Where It Goes |
| Week 3: October 13-15 | Chapter 4: The Monetary System: What It Is and How It Works  
Chapter 5: Inflation: Its Causes, Effects and Social Costs |
| Week 4: October 20-22 | Chapter 5: Inflation: Its Causes, Effects and Social Costs (cont’d)  
Chapter 7: Unemployment |
| Week 5: October 27-29 | Chapter 7: Unemployment (cont’d)  
Chapter 8: Economic Growth I: Capital Accumulation and Population Growth  
No Class on October 29th due to Cumhuriyet Bayramı, the Republic Day |
| Week 6: November 3-5 | Chapter 8: Economic Growth I: Capital Accumulation and Population Growth (cont’d)  
Chapter 9: Economic Growth II: Technology, Empirics and Policy  
Lecture Notes on Economic Growth  
**Midterm Exam I on November 5th** |
| Week 7: November 10-12 | Chapter 10: Introduction to Economic Fluctuations  
Chapter 11: Aggregate Demand I: Building the IS-LM Model |
| Week 8: November 17-19 | Chapter 11: Aggregate Demand I: Building the IS-LM Model  
Chapter 12: Aggregate Demand II: Applying the IS-LM Model |
| Week 9: November 24-26 | Chapter 12: Aggregate Demand II: Applying the IS-LM Model (cont’d)  
Chapter 14: Aggregate Supply and the Short-Run Tradeoff Between Inflation and Unemployment  
**Midterm Exam II on December 3rd** |
| Week 10: December 1-3 | Optimal Consumption: Mathematical Refresher (Handout Chapter -1)  
Optimal Consumption: Representative-Agent Macroeconomics (Handout Chapter 0)  
Optimal Consumption: Microeconomics of Consumer Theory (Handout Chapter 1) |
| Week 11: December 8-10 | Optimal Consumption: Mathematical Refresher (Handout Chapter -1)  
Optimal Consumption: Representative-Agent Macroeconomics (Handout Chapter 0) |
| Week 12: December 15-17 | Optimal Consumption: Mathematical Refresher (Handout Chapter -1)  
Optimal Consumption: Representative-Agent Macroeconomics (Handout Chapter 0) |
<table>
<thead>
<tr>
<th>Week 13: December 22-24</th>
<th>Optimal Consumption: Microeconomics of Consumer Theory (Handout Chapter 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Optimal Consumption: Static Consumption Leisure Model (Handout Chapter 2)</td>
</tr>
<tr>
<td></td>
<td>Optimal Consumption: Dynamic Consumption Saving Model (Handout Chapter 3) (cont’d)</td>
</tr>
<tr>
<td></td>
<td>Optimal Consumption Chapter 4: Inflation and Interest Rates in the Consumption-Savings Model</td>
</tr>
<tr>
<td></td>
<td>Final Review (time permitting)</td>
</tr>
</tbody>
</table>

Classes end on December 25

**Final Exam on January, 2016**