

Economics 320, Intermediate Macroeconomic Theory, Spring 2009 Syllabus

Course	Economics 320	Tue/Thu: 12:30 - 1:45 P.M.
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Office Hours	Tuesday: 10:00 - 11:00	
	Wednesday: 3:00 - 5:00	
	Thursday: 10:00 - 11:00	
	*Other times by appointment	

Overview

Macroeconomics studies the economy as a whole, looking beyond individual markets to examine the impact of policies and economic shocks at the national and international levels. In this course, we will build upon the foundations learned in Econ 101, exploring macroeconomic models in greater depth and mathematical rigor. The course is divided into three sections. In the first, we will examine some of the data used by macroeconomists to assess and forecast the state of the economy. The next section will look at the determinants of economic growth, exploring why some countries grow faster than others and what policies promote or stifle growth. The final section will examine short run fluctuations in the economy from both a domestic and international perspective. Upon completion of this course, students will be able to intelligently discuss the state of the economy, formulate their own views on how monetary and fiscal policies will affect different economic sectors in both the short and long runs, and identify the factors driving forecasts of where the economy is heading. The topics we will be exploring appear regularly in the press, on the nightly news, and play a prominent role in election year campaign speeches. As such, it is important to understand how these issues arise and what (if anything) can be done about them.

Learning Outcomes

The broad objective of this course is to understand and intelligently discuss how the international economy works and see the reasons (or lack thereof!) for macroeconomic policy proposals. Understanding this will help you to judge what policies you, as an informed member of society and participant in the economy, will or will not support. Successful completion of this course means that you will be able to:

- Define, calculate, and discuss the limitations of key macroeconomic aggregates as GDP and inflation as measured by the CPI
- Articulate the link between savings and investment in both a closed and open economy
- Assess the economic costs of inflation
- Analyze the series of events that led to financial crisis of 2008
- Identify the benefits and costs of President Obama's proposed stimulus plan for the economy
- Rationally discuss the arguments for and against raising the minimum wage
- Identify the causes and consequences of unemployment
- Compare savings rates across nations, exploring both the causes and consequences of differing savings behaviors
- Synthesize an argument for and against privatizing social security
- Assess the proposal to replace the federal income tax with a national sales tax
- Analyze economic growth rates and their determinants
- Explain the role of money in the economy and assess the relationship between monetary policy and inflation
- Derive the IS and LM curves from equilibria in the asset and goods markets
- Evaluate the relationship between interest rates and income using IS-LM analysis
- Explain how the Aggregate Demand curve may be derived from IS-LM analysis
- Discuss the similarities and differences between the Classical and Keynesian views of Macroeconomics
- Analyze how national and international policies and shocks cause exchange rates to change
- Explain how the policies taken by one country can have global effects in an increasingly open world economy
- Evaluate the pros and cons of joining a currency union

Readings

The required textbook for this course is Macroeconomics, 6th Edition by Abel, Bernanke, and Croushore (ISBN 0321451406), available in the SDSU bookstore. A lot of thought went into selecting this book and I believe it to be a worthwhile investment. However, it is a fairly expensive textbook and I would like to present you with several alternatives. You may purchase the eBook version of the text for significant savings and you can get by with the 5th edition of the text. Finally, you may try going without the textbook. I will be posting lecture notes to Blackboard, but I caution that if you do go with this route, that you attend every class and take careful notes as you will have no other resource to study from.

There is also an optional study guide to the textbook available. The study guide is a useful accompaniment to the main text and provides additional practice problems, but success in the course is not contingent on acquiring it. I will also periodically assign articles and papers from popular media and academic journals as they pertain to the subjects being covered.

News relevant to economics appears in the press almost daily. Since one of the goals of this course is to provide you with an understanding of current events as they pertain to macroeconomics, it is important that you keep up with the issues. One way to do this is by reading *The Wall Street Journal*, *The Financial Times*, *The Economist*, or some other leading publication. You can obtain discounted subscriptions through me or if you prefer, recent issues are available at the library and there is some limited coverage online. Current economic issues will be regularly discussed in class as they relate to the material, and if you have not kept up with these events, you will have no basis for discussion.

Homework and Quizzes

Homework problems from the textbook will be regularly assigned, but not collected. These assignments are strictly for your review and are intended to help you study for the periodic quizzes and exams given this semester. There will be a short quiz each week covering only material from previous classes. The quizzes are designed for you to stay on top of the course material and assess the areas you need to review. I will drop your lowest two quiz grades and you may be excused from a quiz with a valid excuse submitted before class.

Exams

There will be three examinations covering the class lectures. The exams will only cover material discussed in class and since this will often diverge from that in the textbook, it behooves you to attend class regularly. Each exam will only cover material discussed after the previous one. Although the third exam is scheduled during finals week, it is not comprehensive. The exams will be closed notes, in class, and consist of both multiple choice and short answer problems.

The exams are tentatively scheduled for the following dates (all taking place in Storm Hall 337):

- Exam 1: February 24th
- Exam 2: March 26th
- Exam 3: May 19th (from 1-3PM)

Please let me know as soon as possible if you have a conflict with any of these exam dates. I reserve the right to change the date of an exam, but will give at least a week's notice before doing so.

Grading

Grading for this course will depend on your performance on exams and quizzes. Your final grade will depend on the following weighted average:

- Quizzes = 25%
- Exam 1 = 25%
- Exam 2 = 25%
- Exam 3 = 25%

Extra Credit

There will be two ways to earn extra credit in this course. The first is by participating in the periodic experiments and games we will be playing in class. Through your participation (and performance!) you will earn quiz points that will be added to your overall quiz average.

The second way to improve your grade is by completing the Extra Credit Country Project. For this project, you will choose a country for which to write an economic profile and devise a policy aimed at the key issues facing the nation. While specific details on this project are presented in a separate document, you will essentially be using two sources to write your paper. Using data from the CIA World Factbook you will present an economic profile of your country covering the macroeconomic variables learned in class. Then using the information contained in the most recent IMF Article IV Consultation on your country, you will discuss the key economic issues facing your nation. Finally, you will devise a macroeconomic policy to address these issues. A good paper should be about 5-7 pages long, but these are not absolute requirements.

If your report earns a grade of B+ or better, I will raise your grade by one rank. In other words, if your aggregate exam, homework, and quiz average is a C+ and you successfully complete the extra credit project, your new final grade will be a B-. This should be a fun way to learn about a foreign country

while improving your grade at the same time and I encourage all students to take advantage of this option. If you plan on writing an extra credit report, you must submit the name of your country to me no later than March 4th. I am following a one country per student policy, so it behooves you to submit your choice as early as possible.

Attendance

While attendance is not mandatory, it is highly recommended. Past experience has indicated that there is a strong and positive correlation between attendance and exam scores. The lectures will cover some material not in the textbook, and you can save yourself a lot of time and frustration by showing up and paying attention in class. Regular attendance also ensures that you will not miss any of the semi-random quizzes given in class.

In the past, some students have fallen into the habit of leaving class after taking the day's quiz. While I do not require you to attend every class, students leaving in the middle of a class that has already started are a disruption. Therefore, *unless you notify me ahead of time that you have to leave early, any student leaving class early upon completion of a quiz will receive a zero for that quiz.*

I encourage you to ask questions and participate in class discussions. While I am happy to lecture for the full class period, you may find this format less appealing. Engaging in discussions and asking questions will not only liven up the class, but also help you comprehend macroeconomics as more than just graphs and numbers.

Blackboard Conference

This course has a dedicated blackboard site that you should have access to. To get to blackboard, go to <http://blackboard.sdsu.edu> and login by entering your red id and password (the same one you use for WebPortal). I will regularly post lecture notes, homework assignments, class announcements, and relevant news articles to the site so you should check it frequently. You can post questions to the site outside of office hours and make use of the discussion board. Please let me know if you do not have access to the site as soon as possible.

Academic Integrity

I consider academic dishonesty to be a serious offense, and follow a zero tolerance policy in this regard. You can do very well in this course if you are willing to put in the work, and any benefit you may perceive from cheating is far outweighed by the penalty not only to your academic performance, but your personal integrity as well. Anyone caught cheating on an assignment will receive an F for that assignment. If you are caught a second time, you will receive an F for the course.

I also ask that you be courteous to your fellow classmates and the class itself. Please arrive to class promptly and turn off your cell phones. Refrain from talking when your classmates or I have the floor. If you have a question or a point to make, raise your hand and I will call on you. I will not tolerate rudeness toward your classmates and anyone guilty of this will be asked to leave that class period.

Accommodating Disabilities

If you have or acquire any sort of disability that may require accommodation, feel free to discuss it with me at your convenience. If you want to find out what services are available on campus, contact Student Disability Services, Suite 3100, Calpulli Center, (619) 594-6473.

Tentative Course Schedule

Date	Topic	Reading
Section I: The Data of Macroeconomics (Chapters 1-4)		
Jan-22	Introduction	Chapter 1
Jan-27	Measuring a Nation's Income	Chapter 2
Jan-29	Savings and Wealth	Chapter 2
Feb-3	Inflation and the Cost of Living	Chapter 2
Feb-5	Measuring Productivity	Chapter 3
Feb-10	The Labor Market	Chapter 3
Feb-12	Unemployment: Measurement and Causes	Chapter 3
Feb-17	Consumption vs. Savings	Chapter 4
Feb-19	The Market for Capital	Chapter 4
Feb-24	Exam I	
Section II: Economic Growth and the IS-LM Model (Chapters 6, 8, and 9)		
Feb-26	Economic Growth: The Solow Model	Chapter 6
Mar-3	Economic Growth: Reaching a Steady State	Chapter 6
Mar-5	Growth Policy	Chapter 6
Mar-10	Exploring Business Cycles	Chapter 8
Mar-12	Goods Market Equilibrium	Chapter 9
Mar-17	Asset Market Equilibrium	Chapter 9
Mar 19	General Equilibrium	Chapter 9
Mar-24	Economic Policy in the IS-LM Model	Chapter 9
Mar-26	Exam II	
Section III: Aggregate Demand and the International Economy (Chapters 9-15)		
Mar-31	<i>Spring Break</i>	<i>No Class</i>
Apr-2	<i>Spring Break</i>	<i>No Class</i>
Apr-7	From IS-LM to Aggregate Demand	Chapter 9
Apr-9	The Short and Long Run Effects of Economic Policy	Chapter 9
Apr-14	Introducing the Keynesian Model	Chapter 11
Apr-16	Economic Policy in the Keynesian Model	Chapter 11
Apr-21	Exchange Rates	Chapter 13
Apr-23	Economic Policy in an Open Economy	Chapter 13
Apr-28	Currency Unions	Chapter 13
Apr-30	A Closer Look at Monetary Policy	
May-5	A Closer Look at Fiscal Policy	
May-7	<i>Open Topics</i>	
May-12	<i>Open Topics</i>	
May-19	Exam III(1:00PM-3:00PM)	