

ECON 4020
INTERMEDIATE MACROECONOMICS
Spring 2014

Cihan Bilginsoy
Office: OSH 352
e-mail: bilginsoy@economics.utah.edu
Phone: 581-7691
Office hours: MW 10:00-11:15 or by appointment.

Description and Objectives:

This intermediate level macroeconomics course builds upon the Econ 2020 - Principles of Macroeconomics course. The course will provide insights into key macroeconomic issues concerning unemployment, inflation, and stabilization in closed and open economies. It will develop the Classical and Keynesian models of income determination, and compare and contrast their policy implications. These competing models are the necessary frames of reference to understand and assess current controversies on output fluctuations and the effectiveness of monetary/fiscal policies.

At the completion of this course, students:

1. are expected to have a solid knowledge of why and how economists (and policy-makers) often disagree about the sources and mechanisms of business cycles, and the appropriate policy response;
2. should be able to read, evaluate, and discuss cogently the relevant media accounts.

Pre-requisites:

ECON 2010 and Econ 2020 and College Algebra. This course fulfills the Quantitative Intensive BS requirement. Students are expected to be familiar with graphical analysis, basic linear algebra, and basic calculus. I will also make use of real world data and ask students to interpret macroeconomic time series. For this purpose it is necessary for all students to be familiar with basic features Excel.

Learning Outcomes

Inquiry and Analysis:

Macroeconomics is a contentious discipline. There are several theories that compete to explain unemployment, inflation, business cycles, and crises. This course will develop a series of analytical macroeconomic models to understand relationships between aggregate economic variables, investigate monetary and fiscal policy implications of alternative theoretical chains of causation, and examine empirical evidence for competing hypotheses.

Critical Thinking:

The emphasis will be on how to set up macroeconomic models and draw logical conclusions from these models. Students are expected to understand the underlying and sometimes hidden assumptions of the models and learn how to distinguish between competing models.

Creative Thinking:

Homework assignments and exams will provide different versions of the macroeconomic models that are not covered in class. Students will be asked to apply their basic knowledge to solve these diverse and more advanced models.

Quantitative Literacy:

We will make extensive use of algebraic, numerical, and graphical tools in developing macroeconomic theories.

Textbook: *Macroeconomics*, Olivier Blanchard and David R. Johnson, 6th edition, Pearson, 2013.

Other Readings:

Students are encouraged to keep up with current economic news. *New York Times*, *Financial Times*, and *Wall Street Journal* are excellent sources and they are free on campus. You may also want to peruse *The Economist*.

Course Requirements, Exams, and Grading:

The course grade will be based on two in-class midterm exams, in-class final exam, and homework assignments.

Mid-term 1 (20%)	Thursday, February 6.
Mid-term 2 (25%)	Thursday, March 20.
Final exam (35%)	Monday April 28, 8:00-10:00 AM.
Homework assignments (20%)	

Homework assignments and quizzes each will make 10% of the final grade. I reserve the right to change the weights: if your performance improves over the course of the semester, I will reduce weights of earlier grades (but no penalty for deteriorating performance).

There will be no make-up exams and late assignments will not get credit except in the cases of (a) medical emergencies; (b) officially sanctioned University activities; (c) religious obligations. As indicated in PPM 9-7 Sec 15, the appropriate unit should provide a written statement for the reason of absence. In cases (b) and (c), student should get in touch with me at least a week before the exam and reschedule the exam. These rules will be strictly enforced.

Students will not be assigned extra credit work to improve their grades.

Grading system follows the university standards:

- Excellent, superior performance: A (90-100%), A- (85-89.9%)
- Good performance: B+ (80-84.4%), B (75-79.9%), B- (70-74.9%)
- Standard performance: C+ (65-69.9%), C (60-64.4%), C- (55-59.9%)
- Substandard performance: D+ (50-54.9%), D (45-49.9%), D- (40-44.9%),
- Unsatisfactory performance: E (0-39.9%).

Senior class students' work will not be graded differently.

Collusion and Cheating:

I encourage student cooperation in homework assignments. However, each student shall turn in his or her assignment, in his/her own answers. Duplication of the same assignment under different names is not acceptable and is considered cheating.

Cheating in homework assignments or exams and other types of academic misconduct will be dealt with in accordance with the University regulations. For full details on procedures and penalties, see: <http://www.admin.utah.edu/ppmanual/8/8-10.html#SECTION%20V>.

Punishments can be severe, so don't do it. Enough said.

Class Rules:

1. Come to class on time.
2. Read the assigned material in advance and familiarize with the subject before the lecture.

3. I will use Canvas for announcements, homework assignments, posting extra readings etc. but Canvas is not a substitute to attending class. It is the responsibility of the student to keep up with the class. You miss classes at your own risk.
4. I will not allow *any* electronic gadgets (including, but not limited to, computers, cell phones, calculators, iPods, iPads, ...) in class or in exams. Remove them from your desk, and turn off the cell phones.
5. Do not read the newspaper during the lecture.
6. Do not believe any of the economics you read in the textbook or elsewhere. Learn it well and critically.
7. Do not believe any of the economics I present in class. Learn it well and critically.

Students with Disabilities:

The University of Utah, Department of Economics seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in this class, reasonable prior notice needs to be given to the instructor and to the Center for Disability Services, <http://disabilities.utah.edu/> 162 Oplin Union Bldg, 581-5020 (V/TDD) to make arrangements for accommodations. This information is available in alternative format with prior notification.

Course Outline:

The time schedule is approximate. I will announce at the end of each class the reading assignment for the next class. I expect students to *familiarize* themselves with the topic before it is covered in class by reading the assigned sections, even if they may not understand material fully. Lecture numbers are approximate. We may slow down or speed up in accordance with the needs and demands of the class.

1. Introduction (Chs.1-2) (Lecture 1)
Fundamental concepts in macroeconomics; national income accounts.
2. Fixed Price Equilibrium I: Aggregate Demand in the Short-run (Chs. 3, 4, 5) (Lectures 2-7)
Economic fluctuations; goods and money markets; short run equilibrium of the economy; monetary and fiscal policy.
3. Flexible Price Equilibrium I: The Economy in the Medium–run (Chs.6, 7) (Lectures 8-13)
The labor market and wage determination; aggregate demand-supply.
4. Inflation-output tradeoffs (Chs. 8) (Lecture 14-15)
Equilibrium in the open economy; capital mobility and the interest rate parity; exchange rates.
5. The Financial Crisis of 2007-2009 (Ch. 9) (Lecture 16)
Subprime mortgages; securitization; policy responses to the crisis.
6. Long-run Growth (Chs. 10, 11, 12, 13) (Lecture 17-20)
Accumulation of capital; population growth; the steady state; the Solow model; technological progress; endogenous growth theory; institutions.

7. Open economy Macroeconomics (Chs. 18, 19, 20, 21) (Lectures 21-24)
International commodity and capital flows; balance of payments; flexible vs. fixed exchange rates; monetary and fiscal policy in an open economy.
8. Macroeconomic Policy Debates (Chs. 22, 23, 24) (Lectures 25-27)
Monetary stabilization, rules versus discretion; budget deficit, government debt.