

## **ECON 4020: INTERMEDIATE MACROECONOMICS** **Spring 2017**

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### **Course 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 competing theories of what causes unemployment, inflation, and crises, and the appropriate remedies to these problems. This course will develop a series of analytical macroeconomic models to understand relationships between aggregate economic variables, to investigate monetary and fiscal policy implications of alternative theoretical chains of causation, and to 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 versions of the macroeconomic models that are not covered in class. Students will be asked to apply their 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 models.

**Textbook:** *Macroeconomics*, Olivier Blanchard, 7<sup>th</sup> edition, Pearson, 2017. Make sure to get hold of this book because we will use it intensively.

### **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*. An excellent website where you will find op-ed pieces by the leading economists is *Project Syndicate* (<http://www.project-syndicate.org/economics>); highly recommended.

### **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%)	Tuesday, February 14.
Mid-term 2 (25%)	Thursday, March 30.
Final exam (35%)	Thursday, April 27, 8:00-10:00 AM.
Homework assignments (10%)	
Class participation (10%)	

I reserve the right to change the weights of exams in your favor. If your performance improves over the course of the semester, I will reduce weights of earlier grades (but no penalty for deteriorating performance).

The format of exams and homework questions will be a mixture of short essays, graphical and algebraic problems.

I will use Canvas to post homework assignments, extra readings, grades (except for the final exam grade).

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.

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

Grading system follows the university standards:

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. 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. It is the responsibility of the student to keep up with the class. Feel free to ask questions and make comments anytime you want.
4. Turn off your cell phones and remove them from your desk. This is not the place to message.
5. Do not believe any of the economics you read in the textbook or elsewhere. Learn it well and critically.
6. 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:**

I will announce at the end of each class the reading assignment for the next class. The time schedule is 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: The goods and financial markets

(Chs. 3, 4) (Lectures 2-5)

Aggregate expenditure and equilibrium output; money supply and demand; interest rate.

## 3. Fixed price equilibrium I: Bringing together the goods and financial markets

(Chs. 5, 6) (Lectures 6-9)

The IS-LM model; monetary and fiscal policy; Nominal and real exchange rates; risk premium.

## 4. The labor market

(Ch. 7) (Lectures 10-11)

Wage and price determination; unemployment.

## 5. Inflation-output tradeoffs

(Ch. 8) (Lecture 12-13)

The Philips curve; inflationary expectations; the natural rate of unemployment.

6. Medium-run equilibrium with flexible Prices

(Ch. 9) (Lecture 14-16)

Output and inflation adjustment; deflation; supply shocks.

7. 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.

8. Open economy macroeconomics

(Chs. 17, 18, 19, 20) (Lectures 21-24)

International commodity and capital flows; balance of payments; flexible vs. fixed exchange rates; monetary and fiscal policy in an open economy.

9. Macroeconomic policy debates

(Chs. 21, 22) (Lectures 25-27)

Monetary stabilization, rules versus discretion; budget deficit, government debt.