

ECONOMICS 437 (Intermediate Macro)**Winter 2012**

Prerequisite: Econ 312

Professor Ali F. Darrat (CB # 113)

Office Hours: TR (4:00-6:00 pm), W (4:00-5:00 pm), F (2:00-7:00 pm)

Course Content & Intended Goals: This course examines the structure and performance of the national economy and how government policies interact with the macro-economy. Topics analyzed include unemployment, inflation, business cycles, monetary and fiscal policies, federal budget deficits, public debt, foreign trade deficits, national savings, and economic growth, both at the domestic and global levels. Throughout the course, we combine theory with its practical policy relevance since a prime objective of economic analysis is to improve our understanding of the real world.

Required Text: N. Gregory Mankiw, *Macroeconomics*, 7th Edition. Worth Pub., 2010.

General Course Rules: We have three short exams (10 points each) and a final comprehensive exam (40 points). A term paper is also required that is worth 20 points. The student can pick any topic from a list that will be provided by Dec.15, 2011. The term paper should be well-written, be possibly presented in class, and is due by Tuesday's class, February 14, 2012. The remaining 10 points are on class participation and/or attendance since attendance is required per University policy. For each class missed, the student will lose 1 point. The student is responsible for all text assignments and all class discussions. Some topics and assignments may be changed as the quarter progresses. Cell phones and laptops should be turned off in the classroom. The student should be familiar with popular business press (e.g., *The Wall Street Journal*) and follow current business and financial news (e.g., CNBC on cable TV and Market Place radio program on FM 90.3, aired weekdays 5:30-6:00 pm). Any information pertaining to exams will only be discussed in class so that every student is treated equally. Any exam missed without an advanced and legitimate excuse will receive an automatic zero.

All students should enroll in the Louisiana Tech Emergency Notification System and keep their contacts current on BOSS. In the event that Tech campus closes due to an emergency, students are directed to the off-campus Louisiana Tech Moodle site for all course communication and for the continuation of course work. Information on class continuation will be available within three days of the closure. Students in need of special testing and/or classroom accommodations based on a disability are encouraged to discuss those needs with me at the beginning of the Quarter.

In accordance with the Academic Honor Code of Louisiana Tech University, every student in this class agrees that "being a student of high standards, he/she pledges to embody the principles of academic integrity". All materials, except for those needed for taking the tests, must be put away during exam times.

The grading scale is: A \geq 90%; B \geq 80%; C \geq 65%; D \geq 50%; F < 50%.

Tentative Course Outline and Text Assignments

I. Introduction

1. What is macroeconomics?
2. What are the major economic facts and issues in contemporary open economies?
3. What are monetary and fiscal policies?

(Assignment: Chapter 1 and class discussion)

II. Measuring Key Macroeconomic Variables and Concepts

1. Nominal and Real Gross Domestic Product of Open Economies
2. Business Cycles and Unemployment
3. Inflation and Monetary Dynamics
4. Interest Rates and the Fisher Effect
5. Federal Budget Deficits and the Public Debt
6. Foreign Trade Deficits and the “Twin” Deficit Phenomenon

(Assignment: Chapters 2, 4 and class discussion)

[EXAM # 1]

III. A Simple Theory of Aggregate Income Determination

1. The Aggregate Consumption Function
2. The Aggregate Investment Function
3. Equilibrium in the Goods & Services Market: The IS Curve
4. The Money Supply Function
5. The Money Demand Function
6. Equilibrium in the Money Market: The LM Curve
7. General Equilibrium: The IS/LM Model
8. Explaining Economic Fluctuations with the IS/LM Model

(Assignment: Chapters 10, 11, 17 and class discussion)

[EXAM # 2]

IV. The Trade-Off Between Unemployment and Inflation

1. Measuring Macroeconomic Performance
2. The Aggregate Demand (AD)/Aggregate Supply (AS) Model
3. Combining the IS/LM and the AD/AS Models
4. The Phillips Curve
5. The Supply-Side Economic View
6. Rational Expectations: Theory and Policy Implications

(Assignment: Chapters 9, 13 and class discussion)

[EXAM # 3]

V. Further Policy Issues and Debates in a Global Economy

1. Policy Goals and Targets
2. Rule versus Discretion and Active versus Passive Policies.
3. Ricardian and Non-Ricardian Views of Government Debt and Budget Deficits.

(Assignment: Chapters 15, 16 and class discussion)

VI. Foreign Exchange Markets

1. Globalization Trends.
2. Fundamentals and Dynamics of Foreign Exchange Markets.
3. Open-Economy Models of Stabilization Policies.
3. International Financial Agencies and their Role in the Global Economy.

(Assignment: Chapters 5, 12 and class discussion)

[FINAL COMPREHENSIVE EXAM]