

Florida International University
Department of Economics
Intermediate Macroeconomics (ECO 3203)

Instructor: Andra Hiriscau

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Class Hours: Tu-Th 10:50 am- 2:10 pm

Class Room: ACH 3- 205

Course Description and Purpose

This course develops the tools of modern macroeconomic theory in the context of the global economy. It explains the determination of aggregate output, of employment and prices, the tools of monetary and fiscal policy used by governments to fight inflation and unemployment and to promote economic growth. The purpose of this course is to explain macroeconomic theory and also to use it as a framework for discussing the current state of the US and world economy and for analyzing recent economic policy issues.

Required Materials

- Mankiw, N. Gregory (2019) *Macroeconomics, 10th edition published by Worth Publishers* (ISBN-10: 1319105998; ISBN-13: 978-1319105990). You can use previous editions, but not older than 7th edition.

Prerequisites/Corequisites

Prerequisites: Students should have completed Principles of Macroeconomics (ECO2013) before enrolling in this class.

Students are also assumed to be familiar with basic algebra and graph representation.

Course Objectives

There are four units in this class: Introduction to Macroeconomics, Classical Theory, Growth Theory and Business Cycles.

- Upon completion of the unit on Introduction to Macroeconomics successful students will be able to :
 - Distinguish between sticky and flexible prices, Real GDP and Nominal GDP
 - Summarize the GDP components
 - Compare CPI to the GDP and PCE deflators
- Upon completion of the unit on Classical Theory successful students will be able to :
 - Describe the circular flow of dollars through the economy. Illustrate how income is divided among factors of production and how factor prices depend on factor supplies
 - Discuss how fiscal policy alters the allocation of output and how it affects the equilibrium interest rate
 - Understand what money is and how central banks affect its supply
 - Explain the roles of monetary and fiscal policy in causing and ending hyperinflation
 - Define the terms real variable, nominal variable and money neutrality
 - Distinguish between frictional unemployment and structural unemployment
- Upon completion of the unit on Growth Theory successful students will be able to:
 - Summarize, the Solow Growth model, how saving and population growth determine the economy's steady-state capital stock and its steady-state level of income per person
 - Give example of an institutional difference between countries that might explain the differences in income per person
- Upon completion of the unit on Business Cycle successful students will be able to:
 - Understand the difference between how the economy works in the long run versus short run
 - Show the role of monetary policy
 - Summarize the Keynesian basic model of income determination
 - Describe why the IS curve slope downward and why LM curve slope upward
 - Discuss the IS-LM model which is a general theory of the aggregate demand for goods and services
 - Explain the differences between demand-pull inflation and cost-push inflation

Course Structure

Class Structure

The class is meeting twice a week for 3 hours and 20 minutes, split by 15 minutes break. Unannounced quizzes will be given either at the beginning or ending of a class.

Grading Policy

I reserve the right to curve the scale dependent on overall class scores at the end of the semester. Any curve will only ever make it easier to obtain a higher letter grade. Incomplete will be given only under exceptional circumstances. Any kind of emergency has to be documented to receive an "I". Doing poorly in the course will not be considered a valid reason. The grade will be calculated using the following proportions:

- 30% of your grade will be determined by in class midterm exam
- 20% of your grade will be determined by homework
- 10% of your grade will be determined by unannounced quizzes and class participation
- 40% of your grade will be determined by final exam

$$\text{Final Grade} = (\text{Midterm} * 0.3) + (\text{Homework Average} * 0.2) + (\text{Quizzes} * 0.1) + (\text{Final Exam} * 0.4)$$

Table 1: Sample Grading Scheme

Letter	Range	Letter	Range	Letter	Range
A	95 or above	B	83- 86 %	C	70- 76 %
A-	90-94 %	B-	80- 82 %	D	60- 69 %
B+	87-98 %	C+	77- 79 %	F	59 or less

- Class participation is not equivalent to class attendance; it implies that you participate actively in the class discussions. Actively talking and thinking economics may be the most important element to further your economic intuition.
- You can miss/drop the "lowest score" homework assignment.
- Quizzes are unannounced and constitute of 10-15 min short questions related to the material taught in class. It should encourage you to keep up with the material. You can miss/drop the "lowest score" quiz. There would be no make-up for the quizzes. You need to download the application [Kahoot Mobile App](#) in order to be able to take the quizzes.
- Exams are going to be composed of both multiple choice questions and problems. Final exam is cumulative and given according to the University rules during Finals Week.
- Class attendance will be taken with FIU Check-In. You can download [FIU Check- In App](#).

Schedule and weekly learning goals

The schedule is tentative and subject to change. The learning goals below should be viewed as the key concepts you should grasp after each week, and also as a study guide before each exam, and at the end of the semester. Midterm exam will test on the material that was taught up until the exam date. The homework and quizzes in the second half of the semester tend to build on the concepts in the first half of the semester, so it is important to at least review those concepts throughout the semester. The final exam is cumulative.

Week 1. Introduction to Macroeconomics; Classical Theory: National Income

- Readings: Chapter 1, 2 and 3
- Concepts: Introduction: gross domestic product, consumer price index, unemployment rate; Classical Theory: basic classical model of national income, consumption, investment, government purchases and interest rate.

Week 2. Classical Theory: Monetary System, Inflation, Unemployment

- Readings: Chapter 4, 5 and 7
- Concepts: the quantity theory of money, inflation tax, Fisher effect, social cost of inflation, and the causes and costs of hyperinflation; dynamics of the labor market, natural rate of unemployment, job search, minimum wage laws and efficiency wages.
- Homework 1 due June 25th

Week 3. Growth Theory: Economics Growth I and Economic Growth II

- Readings: Chapter 8 and 9
- Concepts: Solow growth model, capital accumulation, population growth; technological progress. It uses the model to discuss growth experiences around the world as well as public policies that influence the level and growth of the standard of living.
- Homework 2 due July 2th

Week 4. Business Cycle Theory: Economic Fluctuations and Aggregate Demand I

- Readings: Chapter 10 and 11
- Concepts: short run fluctuation in economic activity, aggregate demand, Keynesian, IS-LM model.
- Homework 3 due July 9th
- **Midterm on July 11th**

Week 5. Business Cycle Theory: Aggregate Demand II and Aggregate Supply

- Readings: Chapter 12 and 14

- Concepts: use the IS-LM model to explain economic fluctuations and the aggregate demand, aggregate supply.
- Homework 4 due July 16th

Week 6. Alternative Perspective on Stabilization Policy

- Readings: Chapter 16
- Concepts: Lucas Critique, monetarists, time inconsistency, inflation targeting, automatic stabilizers.
- Homework 5 due July 23th
- **Final Exam on July 26th**

Sources of Additional Macroeconomics Information

- [Greg Mankiw's Blog](#)
- [The Economist](#)
 - Free with Miami Dade Library Card [Miami Dade Library Card](#)
 - Free (UK edition) [FIU- College of Business](#)
- [The New York Times](#)
 - Activate your free access to [NYTimes](#)
- [The Wall Street Journal](#)
 - Activate your free access to [WSJ](#)
- [Mark Thomas's Blog](#)
- [NPR Podcast- Planet Money](#)

Course Policies

Attendance Policy

Class attendance is a necessary part of learning this material. Invariably, students who miss classes fall to the bottom of the grading ladder. Reading the textbook is a complement to the lectures, not a perfect substitute for missing classroom lectures. The lectures may deviate from the textbook, and you can only be aware of the appropriate material if you attend the class. Some material in the textbook may be skipped in the lectures, while other material may be studied in more detail than is presented in the textbook. I will give examples, make clarifications, answer questions, and offer interpretations that may not be found in the textbook. Announcements concerning which material in the textbook will be emphasized or ignored, will be made in class. Students are responsible for all announcements made in class. Students are also responsible for all subsequent changes in the syllabus that are announced. Missing a lecture is no excuse.

Policies on Late Assignments

Late assignments will be accepted for no penalty if a valid excuse is communicated to the instructor before the deadline. After the deadline, assignments will not be accepted. You can miss/drop the "lowest score" homework assignment.

Academic Integrity and Honesty

Students are required to comply with the F.I.U. university policy on academic integrity found in the [Academic Misconduct](#). Cheating in exams, homework, or any other assignment will not be tolerated. Those found cheating in any way will be reported to the relevant authorities of the university.

Accommodations for Disabilities

Reasonable accommodations will be made for students with verifiable disabilities. In order to take advantage of available accommodations, students must register at [Disability Services Office](#). Discrimination based on race, color, religion, creed, sex, national origin, age, disability, veteran status, or sexual orientation is a violation of state and federal law and/or Florida International University policy and will not be tolerated.