

# Intermediate Macroeconomic Theory (Econ 204)

University of Massachusetts Amherst

Fall 2022

Instructor: Daniele Girardi

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<i>Lectures:</i>	<i>Mid-term exam:</i>	<i>Discussion sections:</i>
Tu/Th 11:30am-12:20pm	In class, tentative date	See yours on SPIRE.
Thompson Hall, Room 104	Oct 25 (might change)	
(1st class: Sep 6th)		
	<i>Final exam:</i>	<i>Instructor Office hours:</i>
	TBD (see SPIRE)	Wed 3:00-4:00pm
		(on Zoom)

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## I. Course Outline and Objectives

- “What caused the explosion of a global economic crisis in 2007/2008?”
- “How and why did the COVID pandemics affect jobs, incomes and prices in the US and worldwide?”
- “Why did price inflation accelerate so much in 2022?”
- “What can the Government and the Central Bank do to decrease unemployment and limit inflation?”

These questions concern the working of the economy as a whole and are extremely relevant for our daily lives, individually and as a society. This is exactly the type of questions that Macroeconomics aims to answer.

Macroeconomics can help think about these questions because it is concerned with the behavior of the economy taken as a whole (as opposed to single individual economic actors).

In particular, the focus is on five key macro variables:

- Production
- Employment
- Wages
- Interest rates
- Inflation

Macroeconomic theory aims to explain the evolution of these variables and the causal relations between them. It provides a conceptual framework that allows analyzing and predicting the impact of monetary, fiscal and trade policies.

We will study the standard 'new-Keynesian' macroeconomic model, based on the IS-LM framework and the theory of the 'Phillips curve'. We will then explore the implications of international trade and transnational capital flows. Macroeconomic theories and models will be looked at critically, discussing their strengths, limitations and weaknesses, and in connection with current economic events.

## II. Pre-requisites

Prerequisites: ECON 103 or RES-ECON 102 *and* ECON 104 *and* either MATH 127, MATH 128, MATH 131, MATH 132, ECON 151, or ECON 152.

## III. Course Organization and Materials

### A. Textbook

The textbook we will be using is:

Olivier Blanchard, *Macroeconomics*, 8th Edition.

Unfortunately, this textbook (like too many others) is quite expensive. If the cost of the book constitutes a challenge for you, please contact me to discuss possible solutions. Other materials will be provided through Moodle.

### B. Moodle

Moodle will be used to upload materials, make announcements and administer assignments. It is your responsibility to check the Moodle page of the course frequently in order to be aware of upcoming deadlines.

### C. Laptop ban

The use of laptops, tablets, smartphones and any other similar device is banned in this class. There is a lot of convincing research (see for example [here](#), [here](#), [here](#) or [here](#)) showing that college students learn less and earn worse grades when they use computers, tablets or smartphones during lectures, and that a student's use of a laptop harms also the learning of students around them. My personal experience confirms that. These negative effects are present even when laptops are exclusively used for taking notes (which they rarely are). If you have a valid reason for using your laptop or tablet in class (for example learning disabilities), we can discuss an exception.

### D. i>clicker

This class uses i>clickers, an interactive tool that allows you to check your understanding throughout the classes. If you don't have an i>clicker yet, you should buy one and then register it on Moodle ([see this help page](#)). If you already have an i>clicker, and you already registered it on Moodle for some other course, then you just need to bring your i>clicker with you in class.

E. Communications

I will often send you emails through Moodle. Please check your UMass email account regularly in order to stay updated.

F. Contacting the instructor

The best way to reach me is to send me an email ([dgirardi@umass.edu](mailto:dgirardi@umass.edu)). Depending on the issue, we can either arrange to meet or resolve it via email.

My office hours are on Wednesday between 3 and 4pm on Zoom. Your TA will communicate their office hours at the start of the semester. It is best to send an email before coming to office hours, announcing that you will come and giving me an indication of what it is that you want to meet about, so I will get the chance to be as prepared for the meeting as you are.

If you have feedback or concerns, bring them up with me sooner rather than later. I'm grateful to students who provide constructive feedback during the course. And if there's something that can be corrected and improved right away, I will try my best to do so.

Extension requests for assignments must be directed to the TA (*not* the instructor) *before* the deadline and only for extraordinary (and documented) reasons.

## IV. Course Overview

The course will cover 10 sections, grouped into 4 parts. Here is the list.

### ***INTRODUCTION AND DEFINITIONS***

- Section 1: Introduction and definitions [textbook chapters 1 and 2]

### ***PART I: THE IS-LM MODEL***

- Section 2: Output, aggregate demand and the multiplier [textbook ch.3]
- Section 3: The monetary system and financial markets [lecture notes and other materials available on Moodle]
- Section 4: The IS-LM model [textbook ch.5]

### ***PART II: THE LABOR MARKET, INFLATION AND THE IS-LM-PC MODEL***

- Section 5: The labor market [textbook ch.7]
- Section 6: Inflation and the Phillips Curve [textbook ch.8]
- Section 7: The IS-LM-PC Model [textbook ch.9]

### ***PART III: THE OPEN ECONOMY***

- Section 8: Introduction to the open economy: openness in goods and financial markets (textbook ch.17)
- Section 9: Output, aggregate demand and the trade balance (textbook. ch.18)
- Section 10: Output, the interest rate and the exchange rate; exchange rate regimes (textbook ch.19-20)

## V. The Plan

The following is a *preliminary and tentative* schedule for the course. Take it as a broad indication: it is subject to change based on how fast or slow we are able to go as a group. Any change will be announced in advance as much as possible. Please refer to Moodle for the updated schedule and for all course deadlines.

Week	Reading	Tuesday	Thursday
1	Chapters 1-2 (due Thursday)	Sep 6 Intro & definitions	Sep 8 Intro & definitions
2	Chapter 3 (due Thursday)	Sep 13 Intro & definitions	Sep 15 Output, aggregate demand and the multiplier
3	-	Sep 20 Output, aggregate demand and the multiplier	Sep 22 Output, aggregate demand and the multiplier
4	Lecture Notes (due Tuesday)	Sep 27 The monetary system and financial markets	Sep 29 The monetary system and financial markets
5	Chapter 5 (due Tuesday)	Oct 4 The IS-LM model	Oct 6 The IS-LM model
6	Chapter 7 (due Tuesday)	Oct 11 The labor market	Oct 13 The labor market
7	Chapter 8 (due Tuesday)	Oct 18 Inflation & the PC curve	Oct 20 Review Session
8	-	Oct 25 Mid-Term Exam	Oct 27 Inflation & the PC curve
9	Chapter 9 (due Tuesday)	Nov 1 The IS-LM-PC model	Nov 3 The IS-LM-PC model
10	Chapter 17 (due Tuesday)	Nov 8 Open economy intro	Nov 10 Open economy intro
11	Chapter 18 (due Tuesday)	Nov 15 Output, aggregate demand & the trade balance	Nov 17 Output, aggregate demand & the trade balance
12	-	Nov 22 No class (Friday schedule)	Nov 24 No class (Thanksgivings)
13	Chapters 19-20 (due Tuesday)	Nov 29 Output, interest rate & exchange rate; exchange rate regimes	Dec 1 Output, interest rate & exchange rate; exchange rate regimes
14	-	Dec 6 Output, interest rate & exchange rate; exchange rate regimes	Dec 8 Review Session

## VI. Requirements and Grading

The course requirements consist of a final exam, a mid-term exam, 5 take-home assignments and 10 pre-lecture assignments. *It is your responsibility to be aware of the quizzes and assignments posted on Moodle and their deadlines.* You will be able to gain extra-credits by participating to i>clickers questions in class, and through active participation in class and in your discussion section.

### A. Pre-lecture assignments

Students are required to read the relevant materials *before* we start discussing them in class. This is necessary in order for students to actively follow the classes and use them to clear points of confusion. When assigned a pre-lecture reading, you will also have to deliver a pre-lecture assignment. This simply consists in very briefly summarizing the reading, writing three things you learned and (at least) two questions you have about it. The two worst-graded ones will not be counted. These will account for **10% of your grade**.

### B. Take-home assignments

During the course, 5 take-home assignments will be distributed through Moodle. They will be a mix of exercises, multiple-choice questions and short answer questions, all based on the materials already covered in class. These will account for **40% of your grade**.

### C. Mid-term exam

The mid-term exam will take place during class hours. The tentative date is Tu October 25 (but could change depending on how fast we are able to proceed). It will have three kinds of questions: multiple choice questions; numerical exercises; short answer questions. The midterm exam will account for **25% of your grade**.

### D. Final exam

The final exam will take place on the date that will be established by the University (you will find it on SPIRE in due course). It will be similar in format to the mid-term exam. The final exam will account for **25% of your grade**.

### E. Extra-credits for participation in class and i-clicker questions

Extra-credits will be assigned on the basis of participation to in-class questions with i>clickers. You can get a maximum of **5% extra-credits** by participating to i>clicker questions throughout the semester. Moreover, students who actively participate in classes and discussion sections (including by asking appropriate questions, or volunteering to correct exercises at the blackboard) are likely to receive additional extra-credits.

## VII. Accommodations for disability

The University of Massachusetts Amherst is committed to making reasonable, effective and appropriate accommodations to meet the needs of students with disabilities and help create a barrier-free campus. If you need accommodation for a

documented disability, register with Disability Services to have an accommodation letter sent to your faculty. It is your responsibility to initiate these services and to communicate with faculty ahead of time to manage accommodations in a timely manner. For more information, consult the Disability Services website at <http://www.umass.edu/disability/>.

## **VIII. Academic honesty**

Academic honesty is required of all students at the University of Massachusetts Amherst. Academic dishonesty is prohibited in all programs of the University. Academic dishonesty includes but is not limited to: cheating, fabrication, plagiarism, and facilitating dishonesty. The instructor may employ appropriate software (such as Turnitin or others) to check for possible plagiarism. Appropriate sanctions may be imposed on any student who has committed an act of academic dishonesty. The instructor will take reasonable steps to address academic misconduct.

Since students are expected to be familiar with academic honesty policy and the commonly accepted standards of academic integrity, ignorance of such standards is not normally sufficient evidence of lack of intent.

For more information about what constitutes academic dishonesty, please see the Dean of Students' website:

[http://umass.edu/dean\\_students/codeofconduct/acadhonesty/](http://umass.edu/dean_students/codeofconduct/acadhonesty/)