# ECONOMICS 302

## Intermediate Macroeconomics

##### Term 4 2018-2019

### Professor Todd Knoop

Office: 201 College Hall

Telephone: 895-4208 (voice mail)

e-mail: [tknoop@cornellcollege.edu](mailto:tknoop@cornellcollege.edu)

***Class Times:*** 9:00-11:30 Monday--Friday

1:00-2:30 Monday--Thursday

***Office Hours:*** 11:30-12:00 Monday--Friday (except first two Tuesdays of block)

Additional hours as needed or by appointment

***Required Texts:*** Charles Jones, Macroeconomics, fourth edition

**Quantitative Reasoning** Jessica Johanningmeier

**Consultant:** 125 Library

895- 4222 or [JJohanningmeier@cornellcollege.edu](mailto:JJohanningmeier@cornellcollege.edu)

Tentative Office Hours: 2:30-3:00 Monday--Friday

***Introduction:***

Macroeconomics is the study of economies as a whole. In this class we will attempt to answer five primary questions:

(1) Why is there so much disparity in growth and income levels, both across countries and over time?

(2) What are the causes of variations in unemployment rates, both across countries and over time?

(3) What are the causes of recessions and economic booms—i.e. business cycles?

(4) What are the causes of inflation and why is it so variable?

(5) What is the macroeconomic impact of fiscal and monetary policy, and can they be used to promote growth and stability?

(6) What is the impact of international trade and capital flows on macroeconomies?

You will notice that these questions are largely the questions addressed in *ECB 101 Introduction to Macroeconomics*. In this course, however, there will be three big differences. First, this course will focus heavily on model building, or creating simplified versions of real economies that allow us to realistically address the above questions and predict the aggregate performance of the economy. Our models will attempt to explain the behavior of economic variables such as interest rates, output, inflation, money growth, exchange rates, and unemployment, to name a few. Because of the emphasis on model building, many students may consider *Intermediate Macroeconomics* to be abstract. Nothing can be farther from the truth. Economic reality is what is abstract because it is too complex for us to understand and deal with it effectively. Models allow us to strip away the irrelevant and focus on what is most relevant to understanding and predicting macroeconomic behavior.

The second important difference between this class and Introductory Macro that this class will demand that you think about macroeconomics explicitly in dynamic, not static, terms. Macroeconomics is the study of how economies change and operate *over time*. However, in Introductory Macro, issues were primarily thought about at one point in time. This meant ignoring the predictable and evolutionary nature of macroeconomics, whether we are talking about growth over time or business cycle fluctuations over time. In *Intermediate Macroeconomics*, students will be asked to think about economics in an additional dimension by making our analysis explicitly dynamic in nature.

The third important difference in Intermediate Macro is that we are going to treat Macro as an empirical science. Economics is the science of thinking in terms of models joined to the art of choosing which models are relevant to the real world. We will be explicitly using and analyzing data in an attempt to evaluate and improve our models. To this end, there will be a number of empirical exercises assigned throughout the class that will ask you to use data to analyze macroeconomic questions.

Economics is more than a discipline of study. It is also a way of thinking and approaching problems in a systematic manner. This class, together with Intermediate Microeconomics, composes the core courses in the Economics major. As a result, my expectations for students of this course are very high. The workload for this class is significant and you will be expected to come to every class fully prepared to participate in all discussions and answer all questions.

Remember: "The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist."

-- John Maynard Keynes

***Course Objectives:*** This course supports the Educational Priorities and Outcomes of Cornell College (<http://www.cornellcollege.edu/about-cornell/mission/>) with emphasis on knowledge, inquiry, reasoning, communication, and vocation. Specifically, this course will require students to:

* Develop the ability to build economic models and learn how to think in terms of these economic models (inquiry, reasoning, knowledge);
* Develop quantitative literacy skills that allow us to evaluate these models and understand real world phenomena (inquiry, reasoning, vocation);
* Develop analytical and critical thinking skills, particularly in regards to learning how to think dynamically (inquiry, reasoning);
* Improve written communication skills (communication).

***Grading:*** Course grades will be determined by four classes of assignments and will be based on 450 possible points. I reserve the right to use my discretion at the margin and things such as class participation will be considered in borderline cases.

**(1) Exams:** Two midterm exams and a comprehensive final exam will be given. Each midterm will be worth 100 points and the final will be worth 125 points. If a make-up exam is needed, a time must be arranged in advance of the test date.

**(2)** **Homeworks:** Homeworks, roughly 4-5, will be given periodically throughout the term. The purpose of these homeworks is to give you an opportunity to identify your areas of weakness before an exam and also to ensure that you do not fall behind in class preparation. The total points from homeworks will sum to 50 points.

**(3) Paper:** Each student will be required to write one short paper on a published newspaper or magazine article that I will choose. This paper will be related to a topic of current economic interest and also will have some relationship to class material. Included in your paper should be a brief review of the article, an explanation of the author’s point of view, and a critical analysis of the article. Please submit your paper via email. This paper should be 3-5 pages long, excluding graphs, and will be worth 40 points.

**(4) Class Participation:** Class participation will count for 35 points toward the final grade and will be assigned on the basis of both quantity and quality of participation. Topics that are important enough to find their way onto exams will definitely be reviewed extensively in class. If you miss a class it is your responsibility to find out what announcements and other materials or assignments were presented in class.

***Grading Scale:*** Course grades will, at a minimum, be based upon the following grading scale:

A 94-100% B+ 87-89% C+ 77-79% D+ 67-69%

A- 90-93% B 84-86% C 74-76% D 64-66%

B- 80-83% C- 70-73% D- 60-63%

However, a curve of students’ raw scores in the class is likely. A student’s final grade will be based on their raw points total, the course curve, and—at the margin—overall improvement in the course.

***Class Format:*** I plan on using class time in the following way. The morning sessions will consist of lecturing from our main textbook, Jones. The afternoon sessions will primarily be used for three purposes. First, exams will be given and reviewed during this time. Second, class discussions will be conducted on any assigned readings outside of the textbook that will be assigned. Third, in-class problem sets will be worked on in an effort to review important concepts from the lectures.

***Academic Honesty:*** Academic dishonesty will not be tolerated and will be dealt with in accordance with Cornell’s student regulations.

***Learning Disabilities:*** Cornell College is committed to providing equal educational opportunities to all students.  If you have a documented learning disability and will need any accommodation in this course, you must request the accommodation(s) from [the instructor of the course] as early as possible and no later than the third day of the term.  Additional information about the policies and procedures for accommodation of learning disabilities is available on the Cornell web site at  <http://cornellcollege.edu/academic_affairs/disabilities/>.

***Cell Phones:*** Any student with a cell phone that is either seen or heard during class will be told to leave the class for the remainder of the session, no exceptions.

***OUTLINE OF TOPICS AND READINGS***

***(Tentative)***

Additional articles and topical readings will be assigned throughout the semester and can be found on the course’s Moodle page.

***Section 1: Introduction to Macroeconomics***

Monday #1: Intro to Macroeconomics J: Chapter 1

Tuesday #1: Calculating GDP J: Chapter 2

The Data of Economic Growth J: Chapter 3

***Section 2: Long-Run Macroeconomics***

Wednesday #1: A Simple Model of Production J: Chapter 4

Thursday #1: The Solow Growth Model J: Chapter 5

Friday #1: Growth and Ideas J: Chapter 6

Monday #2: Labor Market and Unemployment J: Chapter 7

Tuesday #2: Inflation J: Chapter 8

Wednesday #2: **Exam #1**

Thursday #2: SR Macro and Business Cycles J: Chapter 9

IS Curve J: Chapter 11

***Section 3: Short-Run Macroeconomics***

Friday #2: Monetary Policy and the Phillips Curve J: Chapter 12

Monday #3: Aggregate Demand/Aggregate Supply J: Chapter 13

Tuesday #3: Financial Crises J: Chapter 10, 14

Wednesday #3: Fiscal Policy J: Chapter 18

Thursday #3: **Exam #2**

***Section 4: Open Economy Macroeconomics***

Friday #3: International Trade J: Chapter 19

Monday #4: Intl’ Trade and Exchange Rates J: Chapter 20

**Short Paper Due**

Tuesday #4: Conclusions J: Chapter 21

Wednesday #4: **Comprehensive Final Exam**