

ECONOMICS 313
INTERMEDIATE MACROECONOMICS
Fall 2015 – HBB 401 – TR 2:10pm-3:25pm

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Office Hours:
Tues / Thurs 8:30 – 10:00
and by appointment

The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.
- Sowell

Objectives for Intermediate Macroeconomics

1. Using key economic indicators, students will learn to monitor ongoing economic conditions and assess macroeconomic performance.
2. Students will learn several major views on macroeconomic models (what determines performance of the overall economy).
3. Students will learn the key approaches to macroeconomic policy and analysis. They will develop skills to analyze impacts of policy actions (*in the short-run and long-run*), and the advantages and disadvantages of various policies.
4. Students will recognize how macro conditions and policy can have global spillover impacts.
5. Students will recognize how economic conditions and macroeconomic policy actions affect their lives, and learn how to apply their macroeconomic tools in making future decisions.

Course material and Resources

1. **Macroeconomics**, 8th ed., N. Gregory Mankiw, Worth Publishers, 2012.
(students may be able to use previous versions (or the recent 9th ed.) but are responsible for finding and accounting for differences in the material)
2. **BlackBoard** – I use BlackBoard to post course documents (assignments, related readings, etc.), announcements, and homework and exam grades. Make sure you can access the course in Blackboard.
3. **Access to the Wall Street Journal** – the Wall Street journal offers a wealth of macroeconomic related publications, as well as publishing all of the different indicators that we will be tracking and paying attention to over the course of the semester.
4. **Useful web sites:**
 - St. Louis Federal Reserve's Economic Data site (referred to as "FRED") - (<http://research.stlouisfed.org/fred2/>)
 - Bureau of Economic Analysis (BEA) – www.bea.gov
 - Good source for GDP data
 - Bureau of Labor Statistics (BLS) – www.bls.gov
 - Good source for unemployment, CPI, and PPI
5. **Recommended/Related Readings:** *Economics in One Lesson* – Henry Hazlitt
(available for free online)

Grading

1. There will be two mid-semester exams and a comprehensive final. Homework, and Quizzes will be given between exams (quizzes can be unannounced). Extra credit assignments may be offered if opportunity arises.
2. **Students are responsible for tracking the current values of the economic indicators.** Within the first week of class students should retrieve the most recently reported data for the different indicators. Feel free to use (and modify if so desired) the indicator tracker available in **BlackBoard**.

Economic Indicators to track during the semester are:

in percent change form (% change from last period) --

- **Real GDP** (y) (initial announcement and 2 revisions of qtrly GDP growth) – **Announced Quarterly**
 - Note GDP is generally announced in “annualized terms”
- **Industrial Production Index** (IP)
- **Consumer Price Index** (CPI) (“% change CPI” is a measure of inflation)
- **Producer Price Index** (PPI)

in rates—

- **Unemployment rate** (u)
- **Interest rates** (r): 3 month Treasury and 10 year Treasury rates
- **Exchange rate** (e): Eurodollar (in U.S. \$)

(Interest and exchange rates are reported daily. For class, track the value reported Mondays on the Wall Street Journal website, after market closing)

Each Tuesday, students should be ready to discuss current economic indicators and current macroeconomic issues, based on Wall Street Journal coverage.

Exams will ask questions on the indicators, current economic conditions and issues, policy actions, etc.

3. Grades are also based on class participation and positive contributions to class discussion. For example, student answers to class questions, contributions to discussions on economic conditions or macro policy, and presentation of homework questions will be important and affect the participation portion of the grade. Though it should go without saying, negative contributions (disruptions, distracting students around you, etc.) will have a negative effect on this portion of your course grade.
4. Class attendance is mandatory. I will randomly take attendance as part of your participation and attendance grade.

For students regularly attending class, weights for grading are as follows:

Participation & Attendance	10%
Quizzes & Homework	20%
2 Midterms	The higher of either 15% & 25% or 25% & 15%
Final	30% (Comprehensive exam; Wednesday, Dec. 9, 2:45pm)

Grading Scale

Letter grades will be assigned using a standard 10 points scale (90 and above for A's, 80-89.99 for B's, etc.).

Plus-Minus for letter grades, where allowed by university policy, will occur at the upper and lower 2.5% level. For example, 70-72.49 will be C-, 72.5-77.49 C, 77.5-79.9 C+ and so forth.

Policy on Make-up Work

Only in *extremely special circumstances* will you be allowed to take an exam at an alternative date. Missed exams, and quizzes without an acceptable excuse will be given a grade of zero. If you must miss an exam, it is by far in your best interest to notify me as soon as possible before the scheduled exam. It is **not** acceptable to notify me that you must miss an exam after the day of the scheduled exam whether your excuse is acceptable or not.

Assigned work should be typed and formatted to include relevant information in a prominent place at the top of the page (e.g. your name, the course, the date, the assignment title). **See writing guidelines posted on Blackboard.**

Policy on Late Work

Assigned work will be accepted after the class period that it is due, subject to the following penalty: 10 percentage points will be deducted from any assignment that is turned in late (either the day of class that it is due, or the following day).

After that, 10 point deductions will accrue daily until the assignment can no longer earn credit (that is for 10 days) **OR** until solutions are released to the class (whichever occurs first).

These "penalty points" will be subtracted from whatever grade would have otherwise been earned on the assignment. Thus, an assignment that is turned in two days after the class period that it is due which would have earned the student a grade of 92, would be adjusted to 72.

Academic Dishonesty

Academic dishonesty, including cheating and plagiarism, will not be tolerated. The full consequences of scholastic dishonesty will be pursued consistent with the University of Tennessee, Knoxville policy as outlined in Hilltopics.

Students with Disabilities

Any student who feels he or she may need an accommodation based on the impact of a disability may contact me privately to discuss your specific needs. The Office of Disability Services (2227 Dunford Hall, 974-6087) assists students with documented disabilities by determining their eligibility for services and then working with students to determine reasonable accommodations.

First assignments:

1. **Due: Second class period**

- a. **Read:** “Why Americans Hate Economics”
- b. **Type** up two economic / policy ideas that you are interested in or would be interested in addressing with the tools we will learn this semester.
- c. **Type** your answer to the following: why are you taking this class? Most of you are fulfilling a major requirement. For those of you who aren't I'm interested in why you chose this class over another alternative. For those who are fulfilling a major requirement, I'm looking for anything else you are hoping to gain from the course. Of course, if the major requirement is the only/primary reason you're taking the course, then I prefer that honest answer.

2. **Due: Third class period**

- a. **Read:** “I, Pencil” and “The Use of Knowledge in Society”
- b. **Type** up your own personal price index. Gather together a list of at least 15 items that you purchase on a regular basis along with their quantities, prices, and how frequently you purchase the item (e.g. 2gal gas/week, 4 burgers/mo., 6 notebooks/6 mo., 1 laptop/2-yr. etc. etc.). You will use this as the basis for estimating any inflation that you have faced over the course of the semester. Therefore you should generally avoid limited edition items (like sales, text book editions, etc.). These should be compiled in either a spreadsheet or a word document and submitted in class [NOT HAND WRITTEN]

A word on Homework: When homework assignments are posted, you are strongly encouraged to work together in groups (**up to three**) and then to submit a single homework with the group members listed. While I hope that this type of collaboration will increase your grasp of the materials (in addition to making it easier to grade), it also opens the possibility of a “free rider” problem. Since homework assignments are generally covering material that will also be covered on exams, fully understanding the concepts as you head into the exams will likely be a key factor in determining the grade that you earn for the course. Thus, considering the relative weights (of exams compared to home works) it should be within your best interests to understand the material now, rather than getting to an exam to find out that you didn't understand things as well as you first thought.

Note: The end of the semester will be the wrong time to be thinking about turning in assignments or checking for extra credit opportunities.

[Corresponding text book sections and related materials (audio/video content is italicized, additional readings are in quotations)]

Homework assignments will be announced in class and necessary materials will be posted to BlackBoard.

This is a tentative outline contingent upon available time and progress through the material. The exact dates that topics will be covered will depend in large part on how quickly students grasp the previous material. Topics may be added or removed at the discretion of the instructor. Students are responsible for attending lectures and keeping up with the topics that are being covered in class.

- Introduction, Course outline, What is Macro, Key Topics, Policy application, Role of government **[Chapter 1]**
- The data: What is it, why is it important, how do we calculate it **[Chapter 2, “Why Americans Hate Economics”]**
 - GDP
 - Inflation
 - Employment (unemployment)
 - Interest Rates
 - Will models tell us all we want to know? [**“I, Pencil”** ; **“The Use of Knowledge in Society”** (extra credit assignment)]
- Classical Theory: The economy in the Long Run
 - Intro/Overview **[“4-Quadrant reading. Parkin”]**
 - Aggregate Supply (LRAS) **[Chapter 3]**
 - Aggregate Demand (More on this later in the semester)
 - Quantity theory on AD **[10-3]**
 - Conventional view on AD **[3-3]**
 - Money, The Monetary System, Inflation **[Chapters 4 and 5]**
 - Trade **[6-1, *Trade is Made of Win-Win*]**
 - Analysis & Application

Exam 1: Tentatively scheduled for Thursday, September 17 **[First extra credit assignment due]**

- Business Cycle Theory: The economy in the Short Run
 - Intro/Overview **[Chapter 10, “4-Quadrant reading. Parkin”]**
 - Keynesian Cross, IS & the goods market **[11-1]**
 - LM & money market **[11-2]**
 - IS-LM **[11-3]**
 - Analysis and application **[Chapter 12]**

 - Austrian Business Cycle (or Capital Based) Theory **[*Fear the Boom and Bust (1 and 2)*]**
 - Analysis and application

 - The Monetarist Perspective **[18-2]**
 - Analysis and application

Exam 2: Tentatively scheduled for Tuesday, November 10 **[Second extra credit assignment due – Review assigned chapter from “Economics in One Lesson”]**

- Other Macroeconomic Issues and Topics
 - Government debt and deficits **[Chapter 19]**
 - Growth **[Chapter 8, “Growth. Rolf”]**
 - Technology
 - Institutions
 - “Golden Level of Capital”
 - Balance savings, investment, productivity, consumption
 - Analysis and application **[Paul Romer TED Talk]**
- Final Review and wrap up **[Epilogue]**

Final Exam: Wednesday, December 9, at 2:45 PM (the final exam will take place in the normal classroom)

[Third extra credit assignment due – Review additional assigned section from “Economics in One Lesson”]