

Intermediate Macroeconomics

ECON 311-003
Tuesday / Thursday, 3:00 - 4:15
Spring 2020
Robinson Hall B111

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Office Hours: By Appointment
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1 Introduction

Broadly speaking, macroeconomics is the study of two phenomena: long-run economic growth and short-run economic fluctuations, also known as business cycles. It will be impossible to comprehensively explore either of these two phenomena; however, this course will serve to deepen your knowledge of both and to give you the tools to analyze the aggregate economy.

The Great Recession, and events like it, can have lasting effects not only on the economy, but on social and political institutions as well. Moreover, the governments in most of the world's developed countries have been tasked with ensuring macroeconomic stability. In the United States, for example, the Federal Reserve, along with numerous other regulatory agencies, have immense authority over the operation of the economy. For these reasons, it is imperative that you understand the theoretical framework that macroeconomists and policymakers use to analyze (and influence) secular changes and business cycles.

1.1 Course Objectives

The first half of the course will focus on mastering the basic concepts and tools that macroeconomists use to analyze the operation of the economy. We will then use this analytical framework to evaluate basic business cycle theories. With a few basic business cycle theories to refer to, we will then evaluate the stabilization policies most frequently employed in an attempt to subdue short-run fluctuations.

Upon successfully completing this course, you should: (1) possess an understanding of the data and analytical framework that macroeconomists use to study the production and allocation of output in both open and closed economies; (2) possess an understanding of the role that the monetary system plays in the economy; (3) be able to use the aggregate demand and supply model to analyze how the economy adjusts in the short- and long-run under alternative theories of the business cycle; and (4) be able to explain the alternative perspectives on stabilization policy and government deficits and debt that emerge from these different theories.

1.2 Prerequisites and Expectations

I expect that you have successfully completed the following prerequisites for this course: ECON 103, ECON 104, and MATH 108 or MATH 113. I assume that you have a basic understanding of macro and microeconomic principles, basic algebra, and elementary calculus. If you need to review these topics, I recommend that you use Marginal Revolution University and Khan Academy.

I also expect that you will treat your fellow classmates with respect, even if you disagree with them; reasonable minds can differ on any number of perspectives, opinions, and conclusions. Constructive disagreement sharpens our thinking and deepens our understanding; therefore, it is not only encouraged, but expected. All viewpoints are welcome in my class; however, no ideas are immune from scrutiny and debate.

Regular attendance is essential to successfully completing this course. As such, I expect you to attend all of the lectures. If you need to miss a class, it is your responsibility to obtain all lecture notes and assignments from one of your classmates.

2 Readings

The course will largely follow Mankiw's *Macroeconomics* (10th edition). To succeed, you'll need to read the chapters and supplementary papers in advance. I will, however, deviate from the text as I see fit to emphasize certain topics.

2.1 Required Text

The following will serve as the primary text that will be used for the course –

Mankiw, N. Gregory. *Macroeconomics (10th edition)*. New York (N.Y.): Worth Publishers, 2019.

While this book is required, buying an earlier edition is largely acceptable. I will be designing lectures, quizzes, and exams based on the 10th edition, but earlier editions will have much of the same content. However, it is important to note that the order of chapters changed between the ninth and tenth editions, so you should exercise care if you choose to use an earlier edition. Mankiw's textbook has long been the bestselling macroeconomics textbook on the market. While it is not perfect, it gives an excellent overview of macroeconomics.

2.2 Additional Readings

A handful of additional readings will also be required throughout the course for certain topics. The author(s) of the assigned readings are noted next to each topic in the tentative schedule that follows. The required papers are referenced below. A PDF copy of each assigned reading is also available on Blackboard for your convenience.¹ You are expected to have a printed copy of the supplementary papers with you in class.

¹The PDFs will be made available on Blackboard 1 week prior to their due date. I would prefer if you do not go too far ahead in the reading, so that all students are advancing through the course at a similar pace; however, if you feel compelled to read ahead, or if your schedule requires it, citations for all of the supplementary papers are included in this syllabus.

3 Grading Policy

Your grade in this course will depend on quizzes, a series of homework assignments (comprised of problem sets and brief written assignments), and two exams. The baseline breakdown will be as follows:²

Quizzes: 15%

Reading Responses: 5%

Homework: 30%

Midterm (3/5): 20%

Final Exam (5/7): 30%

3.1 Quizzes

I reserve the right to administer a quiz every Tuesday.³ Each quiz will consist of 5 multiple choice questions on the material covered in each week's required reading (both from Mankiw and from the supplementary reading list). A sixth bonus question will be offered from time to time, though quizzes will always be graded out of 5 points. Students are required to submit their answers to each quiz in pencil on a scantron form.⁴ Students who arrive to class after the quiz has begun will miss the opportunity to take that week's quiz. The lowest quiz grade will be dropped.

3.2 Reading Responses

In addition to evaluating your understanding of the required reading based on the quizzes, weekly reading responses will be required. Since all reading assignments are due on Tuesdays, I ask that you fill out the online reading response form by 11:59 PM each Monday. The form can be accessed at www.stupaul.com/311.html. All reading responses are graded out of 5 possible points.

3.3 Homework

A series of homework assignments will be collected select Thursdays. Homeworks will consist of (i) problem sets, and (ii) brief written assignments. A hard copy of all homework assignments must be submitted in class. Email submissions will not be accepted.⁵

All homework assignments will be distributed at least 1 week in advance of the specified due date. All homework assignments will be graded out of 100 possible points.

²I retain the right to offer the occasional extra credit assignment. Do not request extra credit assignments or opportunities for bonus points; I will offer them to the class as I see fit.

³Students should anticipate that quizzes will be administered in the first few minutes of class every Tuesday.

⁴Scantrons will be provided. Pencils will not be provided.

⁵This policy is firm. Please do not ask for exceptions to this rule. It is, however, acceptable for you to have a peer turn in your assignment on your behalf.

3.3.1 Problem Sets

Three (3) problem sets will be assigned throughout the course; each problem set is worth 3.33% of your final average (for a total of 10%). The problem sets will largely consist of short-answer questions that will require you to demonstrate familiarity with the material covered to that point in the course.

3.3.2 Short Paper Assignments

Two (2) short paper assignments will be assigned during the course; each short paper assignment is worth 10% of your final average (for a total of 20%). All papers are to be between two (2) and three (3) pages double spaced, using 12 pt Times New Roman font and 1-inch margins. All resources are to be cited appropriately in a separate list of references. All papers will be graded based on a rubric to be distributed prior to the first paper assignment.

You will be graded on (i) the economic heft of your analysis; (ii) the quality of your written presentation of the material; and (iii) the materiality of your article to the topics we've discussed. A hard copy of all papers are to be submitted in person on the assigned due date.

3.4 Exams

Exams will consist of a mix of multiple choice and short-answer questions. Make-up exams will not be provided.⁶ In the event that you miss the midterm, the 20 percentage points allocated to that evaluation will added to your final exam.⁷

The Final Exam is scheduled for Thursday, May 7 for 1:30 - 4:15 PM. This date and time is set by the university, not me. I cannot reschedule the exam, and I cannot provide alternative or make-up exams.

3.5 Grading Scale

Students' final averages for the course will earn them a letter grade. The University's standard undergraduate grading scale applies and can be found here.

Letter Grade	Range	Letter Grade	Range
A+	100 - 98	C+	79 - 77
A	97 - 93	C	76 - 73
A-	92 - 90	C-	72 - 70
B+	89 - 88	D	69 - 60
B	87 - 83	F	< 60
B-	82 - 80		

⁶This policy is firm. Please do not ask for exceptions to this rule.

⁷I strongly discourage you from rolling your midterm into your final unnecessarily.

Tentative Schedule⁸

Week	Topic	Reading Due	Assignments Due
Week 1	The Science and Data of Macroeconomics	1/21: M1, M2 Lucas	
Week 2	National Income	1/28: M3, M19.2	
Week 3	Money	2/4: M4 Menger	2/6: Problem Set I
Week 4	Inflation / Deflation	2/11: M5 Yeager	
Week 5	Unemployment	2/18: M7 Phillips	2/20: Short Paper I
Week 6	Economic Growth I	2/25: M8, M9 *Handout*	
Week 7	Economic Growth II	3/3: Feldstein & Horioka, Barro	3/5: Midterm Exam
Week 8	SPRING BREAK		
Week 9	Intro. to Business Cycles	3/17: M10	
Week 10	Aggregate Demand	3/24: M11, M12 Krugman	3/26: Problem Set II
Week 11	The Open Economy	3/31: M6, M13 Mundell	
Week 12	Aggregate Supply	4/7: M14	4/9: Short Paper II
Week 13	Stabilization Policy I	4/14: M15 Abrams, Friedman	
Week 14	Stabilization Policy II	4/21: M16, M17 Taylor	4/23: Problem Set III
Week 15	Austrian Business Cycle Theory	4/28: Garrison, *Handout*	
Week 16	Finals Week	5/5: Reading Day	5/7: FINAL EXAM

⁸I reserve the right to change the schedule and to add and/or remove assignments as I deem necessary and appropriate.

Disability Accommodations

If you have a documented disability or other condition that may require accommodations you should (i) make sure this documentation is on file with Disability Services (SUB I, Rm. 4205; 993-2474; <http://ds.gmu.edu>) to determine the accommodations you need; and (ii) talk with me to discuss your accommodation needs.

Email and Student Privacy

Due to the requirements of the Family Educational Rights and Privacy Act (FERPA), students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.

For the privacy and comfort of your fellow students, audio and video recordings, as well as photography, is strictly prohibited during class.

Academic Integrity

The integrity of the University community is affected by the individual choices made by each of us. Mason has an Honor Code with clear guidelines regarding academic integrity. Three fundamental and rather simple principles to follow at all times are that: (i) all work submitted be your own; (ii) when using the work or ideas of others, including fellow students, give full credit through accurate citations; and (iii) if you are uncertain about the ground rules on a particular assignment, ask for clarification. No grade is important enough to justify academic misconduct. Plagiarism means using the exact words, opinions, or factual information from another person without giving the person credit. Writers give credit through accepted documentation styles, such as parenthetical citation, footnotes, or endnotes. Paraphrased material must also be cited. More information on the Honor Code may be found at <https://oai.gmu.edu/mason-honor-code/>.

Sexual Harassment, Sexual Misconduct, and Interpersonal Violence

George Mason University is committed to providing a learning, living and working environment that is free from discrimination and a campus that is free of sexual misconduct and other acts of interpersonal violence in order to promote community well-being and student success. We encourage students who believe that they have been sexually harassed, assaulted or subjected to sexual misconduct to seek assistance and support. University Policy 1202: Sexual Harassment and Misconduct speaks to the specifics of Mason's process, the resources, and the options available to students.

As a faculty member and designated "Responsible Employee," I am required to report all disclosures of sexual assault, interpersonal violence, and stalking to Mason's Title IX Coordinator per university policy 1412. If you wish to speak with someone confidentially, please contact the Student Support and Advocacy Center (703-380-1434), Counseling and Psychological Services (703-993-2380), Student Health Services, or Mason's Title IX Coordinator (703-993-8730; cde@gmu.edu).

References

1. Abrams, Burton A. "How Richard Nixon Pressured Arthur Burns: Evidence from the Nixon Tapes." *Journal of Economic Perspectives* 20, no. 4 (2006)
2. Barro, Robert J. "Economic Growth in a Cross Section of Countries." *The Quarterly Journal of Economics* 106, no. 2 (May 1991): 407–43.
3. Feldstein, Martin, and Charles Horioka. "Domestic Saving and International Capital Flows." *The Economic Journal* 90, no. 358 (June 1980): 314–29.
4. Friedman, Milton. "The Role of Monetary Policy." *The American Economic Review* 58, no. 1 (March 1968): 1–17.
5. Garrison, Roger W. "Time and Money: The Universals of Macroeconomic Theorizing." *Journal of Macroeconomics* 6, no. 2 (1984): 197–213. [https://doi.org/10.1016/0164-0704\(84\)90005-3](https://doi.org/10.1016/0164-0704(84)90005-3).
6. Krugman, Paul. "IS-LMentary." *The New York Times -- The Opinion Pages*. October 9, 2011. <https://krugman.blogs.nytimes.com/2011/10/09/is-lmentary/>.
7. Lucas, Robert E. "What Economists Do." *Journal of Applied Economics* 14, no. 1 (2011): 1–4.
8. Mankiw, N. Gregory. *Macroeconomics (10th edition)*. New York (N.Y.): Worth Publishers, 2019.
9. Menger, Karl. "On the Origin of Money." *The Economic Journal* 2, no. 6 (1892).
10. Mundell, R. A. "Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates." *The Canadian Journal of Economics and Political Science* 29, no. 4 (November 1963): 475–85. <https://doi.org/10.2307/139336>.
11. Phillips, A. W. "The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957." *Economica* 25, no. 100 (1958): 283–99. <https://doi.org/10.2307/2550759>.
12. Taylor, John B. "Monetary Policy Rules Work and Discretion Doesn't: A Tale of Two Eras." *The Journal of Money Credit and Banking Lecture*, (September 21, 2011)
13. Yeager, Leland B. "A Cash-Balance Interpretation of Depression." *Southern Economic Journal* 22, no. 4 (April 1956): 438–47.