

ECON 333 - 01A: Macroeconomic Theory

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Department of Economics

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1 Course Description

Macroeconomics studies aggregate economic activity, which affects decisions of households, businesses, and policymakers. Therefore, it focuses on the following components: saving, consumption, investment and international factors at the aggregate level as determinants of national output and price levels closely associated with inflation and unemployment rates. The course objective is to create informed decision makers who can use analytical tools to understand the current macroeconomic developments and foresee their implications for private and public sectors.

In this course students are expected to confront with the following type of questions: 1) what are the factors contributing in economic growth? Why few countries grow faster compared to others? 2) How does the monetary system work? What are the determinants of inflation? Should fed opt for negative interest rate as President asked for? 3) Why do macroeconomic activities fluctuate? How do different shocks affect output, investment, consumption and employment over the business cycle? Empirical evidence suggest that US households are saving more compared to last decade, is it bad for the economy? 4) Why are people employed and unemployed? How the government deals with unemployment? 5) What is the role of financial markets in the macro-economy? What causes financial crises? What are the aggregate consequences of the 2007-2009 financial crisis? Is there a new recession coming soon?

2 Course Objectives

1. Describe determinants for economic growth and predict the impact government policies may have on economic growth.
2. Predict the impact that private decisions and government policy can have on investment in the context of an equilibrium model with investment demand, demand for loanable funds,

and supply of savings.

3. Predict the impact that private decisions and fiscal and monetary policies can have on aggregate production and employment in the context of an equilibrium model of aggregate production in the short-run and long-run.
4. Identify business cycle fluctuations in macroeconomic data and explain possible causes and government responses using macroeconomic equilibrium models.
5. Explain and critique various theories for business cycle fluctuations, and describe differences in the implications for macroeconomic policy prescriptions.
6. Describe determinants for demand and supply in the market for money and predict the impact monetary policy has on the market for money and the aggregate macroeconomy.
7. Identify assumptions in macroeconomic models and describe how specific conclusions from macroeconomic models depend on the assumptions.

The departmental goals for Econ 111 are:

Goal 1: Students of economics will be able to apply economic theory to understand economic issues and policies by:

1. Analyzing interactions between human values and economic policy;
2. Demonstrating a knowledge of and ability to apply appropriate analytical tools

Goal 2: Students of economics will be able to evaluate evidence bearing on those economic issues and policies by:

1. Identifying, locating, and assessing the necessary quantitative and non-quantitative information, facts and arguments; and
2. Employing both quantitative reasoning and computing skills where appropriate.

Goal 3: Students of economics will be able to communicate effectively the results of their economic analysis through:

1. Clear writing, appropriately supported and documented;
2. For majors, polished oral presentations.

3 Prerequisites

ECON 111 and either MATH 118 or MATH 119 are required for this course. Familiarity and facility with basic algebra and the use of graphs are essential. Elementary calculus will be used throughout the course. I will presume that you can work with both word processing and spreadsheet programs (e.g. Microsoft Word and Excel).

4 Required Readings

- Textbook: **Macroeconomics** by Gregory Mankiw, 10th Edition.
- Recommended: *Macroeconomics* by Charles I. Jones, 10th Edition.

The textbook is required for this course and is available at the University Bookstore. Another textbook similar to our course content is [Macroeconomics by Olivier Blanchard, 8th Edition](#). You can also take a look on this book (draft version) in [Intermediate Macroeconomics by Julio Garin, Robert Lester, and Eric Sims](#).

Newspaper: You are expected to read economics and business related periodicals for developing your understanding on the U.S. and global macroeconomics. You can login Wall Street Journal, NYTimes, and The Economist, check with the library for doing so.

1. [The Economist](#)
2. [The Wall Street Journal](#)
3. [The New York Times](#)

5 Grading Policy

This course uses a variety of assignments and assessments designed to help you learn and practice the course concepts. While attending lecture are very important, the time and effort you put in outside of lecture are equally important to your learning. **Remember canvas makes mistake on calculation for final grade, please ask me for your actual grade.** You should allocate **10-12 hours per week** to do better in this course.

1. **Exams (45%):** We will have three non-cumulative in-class exams. Attendance at both the midterm and final exam is mandatory, and no make- up exams will be offered.
 - **Midterm # 1 (15%):** 02/13/2019
 - **Midterm # 2 (15%):** 03/31/2020
 - **Final (15%):** 05/07/2020
2. **Homework (20%):** For each home works you will be given one week as due date. You are expected to form a group for the homework (# of group members should be ≤ 4 .

HW 1: – 01/23/'20

HW 2: – 01/30/'20

HW 3: – 02/06/'20

HW 4: – 02/27/'20

HW 5: – 03/12/'20

HW 6: – 03/26/'20

HW 7: – 04/14/'20

HW 8: – 04/28/'20

3. **Quiz (15%):** Quiz will be maintained through canvas module. Quiz will be given in alternative week. Please check you canvas account for any updates regarding this course.

4. **Class Activities (20 %):**

- **Class Attendance & Participation (10 %):** These points are coming from in class discussion and participation.
- **Peer Review of Current topics (10 %):** Randomly, I will assign contemporary article from newspaper. You will write a review based on the knowledge from economic view point. Your response for each article should be within one page except drawings and mathematics. Your writing will be reviewed by your peer classmates.

Letter Grade Distribution:

Table 1: Grading Scale with explanations

Letter Grade	Interpretation	Honor Point	Total Number
A	Excellent	4.0	91.5 and above
AB		3.5	84.5-91.49
B	Good	3.0	80.5-84.49
BC		2.5	74.5-80.49
C	Satisfactory	2.0	70.5-74.49
CD		1.5	65.5-70.49
D	Minimum Passing	1.0	60.5-65.49
F	Fail	0.0	60.49 and below

6 Other Policies

Classroom Etiquette

Learning in the classroom is desirable. However, some behaviors can be distracting and degrade the ability of others to learn and teach. For example, using laptops, tablets, and cell phones. Therefore, **please do not use electronic devices of any kind during class unless you are instructed to do so.**

Please show respect to your fellow classmates. Inappropriate behavior in classroom will be reported to school authority. If you need to leave the class urgently, go as silently as possible. If you cannot come to the class, let me know in advance.

Important Dates

Please follow the university calendar for any specific date. You can find the fall calendar in [here](#).

Class Cancellation

I may need to cancel class during the semester due to emergencies like weather, illness, etc. If class is canceled, I will send you a message through Canvas course page. If you are unsure about any assignments for that day, you should contact me at suddin001@csbsju.edu.

Academic Misconduct

You are all adults & you all know what cheating is. But to reiterate: plagiarism, unauthorized group work, and unauthorized use of notes/text/etc all count as cheating. Any violation of the Honor Code will result in a grade of F for the course and will be reported to the Dean of Students' office. The CSB/SJU code of academic integrity is [here](#):

Disability Resource Center

The colleges have support systems in place for those students with an official diagnosis of a Learning Disability or a Physical Disability. If a student has had a diagnosis for a specific Learning Disability or a Physical Disability, the Office of Academic Advising will notify me and will provide information on current CSB|SJU accommodations. If a student volunteers information regarding a Learning Disability or a Physical Disability I will contact Academic Advising and make appropriate arrangements.

Religious Observance

Accommodations will be made for students who wish to observe their religious holidays. Students should make their requests known at the beginning of the semester - during the first week of classes.

7 Tentative Topics

Following topics will be covered in this course:

- Ch 1: The Science of Macroeconomics
 - [What is GDP?](#)
- Ch 2: The Data of Macroeconomics
- Ch 3: National Income: Where It Comes From and Where It Goes
 - [Social progress: Beyond GDP](#)
 -
- Ch 8 & 9: Economic Growth: Capital Accumulation and Population Growth

- [Economic Growth](#), Economist, Apr 13, 2013
- [An awfully long expansion: For how long can today's global economic expansion last?](#), Economist, Jul 13, 2019
- [Happiness and growth: Economic growth does not guarantee rising happiness](#), Economist, Mar 21, 2019
- Ch 7: Unemployment
 - [When Has U.S. Unemployment Typically Been This Low? Wartime](#)
 - [NPR Talk: How Underemployment Is Affecting The Job Market](#)
 - [Employment, Unemployment, and the Federal Reserve](#), Econ Lowdown Webinar Series, Episode 10
 - [Several quotes in search of a theory: What's ailing the American labour market?](#), The Economist, 2011
 - [The great mismatch: In the new world of work, unemployment is high yet skilled and talented people are in short supply. Matthew Bishop explains](#), The Economist, 2011
 - [Winners and losers: Divisions are getting deeper](#)

————— **Exam: Midterm 1 [02/13/2020]** —————

- Ch 4: The Monetary System: What it is and How it works
 - [Quantitative easing: QE, or not QE?](#), Economist, July 14, 2012
 - [The World Economy: The Nest Recession](#), Economist, October 13, 2018
 - [Monetary Policy: Quantitative Easing Is Ending. Here's What It Did, in Charts.](#) The Upshot, NYTimes, Oct 29, 2014- Ch 5: Inflation: Its Causes, Effects, and Social Costs
 - [The End of Inflation?](#), Special Reports, Economist, October 10, 2019- Ch 10: Introduction to Economic Fluctuations
 - [A Recession Warning Reverses, but the Damage May Be Done](#)
 - [What's the Yield Curve? 'A Powerful Signal of Recessions' Has Wall Street's Attention](#)

————— **Exam: Midterm 2 [03/31/2020]** —————

- Ch 11 & 12: Aggregate Demand: Building and Applying the IS-LM (MP) Model
 - [Stimulus Spending keep falling](#), NY Times, Feb 16, 2018- Ch 6: The Open Economy
 - [Debating economic policy: Stimulus, austerity and the weltgeist](#), Economist, Feb 1, 2012
 - [Low interest rates and sluggish growth may lead to currency wars](#), Economist, Jun 22, 2019- Ch 13: The Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime
 - [Should egalitarians fear low interest rates](#), Economist, Jul 11, 2019
 - [Two out of three ain't bad](#), Economist, Aug 27, 2016
 - [Why Germany's current-account surplus is bad for the world economy](#), Economist, Jul 8, 2017- Ch 19: Government Debt and Budget Deficits [if time permits]
 - [Trump's Twin Deficits \(Wonkish\)](#), NY Times, Feb 16, 2018

————— **Final Exam [05/07/2020]** —————