

**University of Hawaii at Manoa
Department of Economics**

**Economics 300 (701)
Intermediate Macroeconomics
10:30-11:45 AM MTWRF, Location: TBA
Summer II 2009
July 6- August 14, 2009**

Instructor: Archi Gatchalian
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Office Hours: 1-2 PM, MW, or by appointment
Saunders 537

Required Text: Macroeconomics, 6th edition
by N. Gregory Mankiw

Course Description: This course is an in-depth explanation of how macroeconomic models help us explain and predict the behavior of the aggregate economy in the very long run, the long run, and the short run. The course consists of four modules. We begin with the examination of the different macroeconomic performance measures of GDP growth, inflation rate, and unemployment rate and follow it up with the discussion of the economy in the long-run (Classical model). In the second module, we extend the Classical model to look at the very long run using the Solow Growth model. Our third main topic will tackle the economy in the short run (when prices do not change). We study the Keynesian IS-LM model and show how the market for goods and services interacts with the money market to jointly determine equilibrium output and interest rates. Finally, we take a closer look at some macroeconomic policy debates concerning policymaking and government debt.

Course Objectives: At the end of this course, the student must be: 1) familiar with macroeconomic terminology, concepts, and theories; 2) adept with the use of graphs and equations in analyzing macroeconomic problems; and 3) able to exercise logical economic reasoning by using macroeconomic models to analyze real-world situations and events, such as the impact of economic policies, that is demonstrated in qualitative and quantitative form.

Exams and Grading Policy:

Midterm and Final Exams. There will be 3 exams in this class, including a comprehensive final exam. The two midterm exams and the cumulative final exam will all comprise 60% of the final grade. Students should expect different types of questions, such as modified true or false, multiple choice, defining terms, mathematical derivations, and essay questions, among others. The exams are designed to test the analytical skills of students on the topics discussed in class rather than their ability to memorize concepts, ideas, and terms. Though the reasoning stays the same, the questions should not be usually taken at face-value from the lectures given. Thus, logical and economic reasoning are powerful tools which will be needed in hurdling the exams. NO MAKEUP EXAMS will be given out to substitute for missed ones for whatever reason so plan accordingly.

Quizzes. There will be a number of unannounced quizzes during the course of the session which can be distributed at any time during the class. This strategy is targeted to reward students who come to class to listen to my lectures. True or false and multiple choice questions will be common in the short quizzes. The unannounced quizzes will comprise 20% of the final grade. NO MAKEUP QUIZZES will be given out to substitute for missed ones for whatever reason. However, nondiscriminatory unannounced bonus quizzes will be given out in class.

Class Presentation/Participation. Students will be asked to present a few times in class. Each student will make at least two 5-8 minute presentations summarizing the previous meeting's lecture. Also, students will be randomly called to participate in class discussion. You are required to submit 3"x5" index cards that I will use in these graded class participations to randomly select a student to answer my question/s.

Homeworks. Finally, homework from end-of-chapter problem sets will be assigned toward the end of the discussion of each chapter covered in the book. Two to three of the usual four to six homework problems will be graded for correctness, while the rest will be given credit for being answered. The graded problems will be determined randomly to assure that students will answer each of the homework problems in detail and with rigor. Homeworks should be submitted in class on the due date indicated. A late homework will get a corresponding deduction and may only be submitted as long as the homework answer key has not been handed out in class, whether or not the student obtained a copy of the answer key is irrelevant. NO MAKEUP HOMEWORKS will be given out to substitute for missed ones for whatever reason. However, nondiscriminatory bonus homeworks will be given out and will be announced as they become available.

Grading System:

First and Second Midterm Exams (20% each exam)	40%
Cumulative Final Exam	20%
Unannounced Quizzes	20%
Class Participation/Presentation	10%
Homework Assignments	10%

Classroom Behavior: As educated adults, I expect everyone to behave accordingly in the classroom. More specifically, the following are not allowed in this class/classroom:

1. consistent tardiness;
2. sleeping;
3. eating of crunchy and smelly food
4. usage of mobile phones, iPod, and hand-held electronic games;
5. talking aloud; and
6. laughing with no evident reason.

If, for any reason, you cannot avoid to do all of the following above while inside the classroom, you are advised to leave so that I can do my job effectively.

Course Communication

In the event of a pressing announcement, an email will be sent to your @hawaii.edu email address. Please make sure to check your email regularly.

Important Dates:

First Midterm Exam	July 20, Monday
Second Midterm Exam	August 3, Monday
Final Exam and Last day of Class	August 14, Friday

Introduction

- I. The Science of Macroeconomics, Chapter 1
 - A. What Macroeconomists Study
 - B. How Economists Think

- II. The Data of Macroeconomics, Chapter 2
 - A. Measuring the Value of Economic Activity: Gross Domestic Product
 - B. Measuring the Cost of Living: The Consumer Price Index
 - C. Measuring Joblessness: The Unemployment Rate

Classical Theory: The Economy in the Long Run

- III. National Income: Where It Comes From and Where It Goes, Chapter 3
 - A. What Determines the Total Production of Goods and Services?
 - B. How Is National Income Distributed to the Factors of Production?
 - C. What Determines the Demand for Goods and Services?
 - D. What Brings the Supply and Demand for Goods and Services Into Equilibrium?
 - E. Appendix: The Cobb-Douglas Production Function

- IV. Money and Inflation, Chapter 4
 - A. What Is Money?
 - B. The Quantity Theory of Money
 - C. Seigniorage: The Revenue From Printing Money
 - D. Inflation and Interest Rates
 - E. The Nominal Interest Rate and the Demand for Money
 - F. The Social Costs of Inflation
 - G. Hyperinflation
 - H. Conclusion: The Classical Dichotomy

- V. The Open Economy, Chapter 5
 - A. The International Flow of Capital and Goods
 - B. Saving and Investment in a Small Open Economy
 - C. Exchange Rates
 - D. Conclusion: The United States as a Large Open Economy
 - E. Appendix: The Large Open Economy

- VI. Unemployment, Chapter 6
 - A. Job Loss, Job Finding, and the Natural Rate of Unemployment
 - B. Job Search and Frictional Unemployment
 - C. Real-Wage Rigidity and Structural Unemployment
 - D. Patterns of Unemployment

First Midterm Exam: July 20, Monday
Tentative Coverage: Chapters 1-6

Growth Theory: The Economy in the Very Long Run

- VII. Economic Growth I: Capital Accumulation and Population Growth, Chapter 7
 - A. The Accumulation of Capital
 - B. The Golden Rule Level of Capital
 - C. Population Growth

- VIII. Economic Growth II: Technology, Empirics, and Policy, Chapter 8
- A. Technological Progress in the Solow Model
 - B. Policies to Promote Growth
 - C. From Growth Theory to Growth Empirics
 - D. Beyond the Solow Model: Endogenous Growth Theory

Business Cycle Theory: The Economy in the Short Run

- IX. Introduction to Economic Fluctuations, Chapter 9
- A. Time Horizons in Macroeconomics
 - B. Aggregate Demand
 - C. Aggregate Supply
 - D. Stabilization Policy
- X. Aggregate Demand I: Building the IS-LM Model, Chapter 10
- A. The Goods Market and the IS Curve
 - B. The Money Market and the LM Curve
 - C. Conclusion: The Short-Run Equilibrium
- XI. Aggregate Demand II: Applying the IS-LM Model, Chapter 11
- A. Explaining Fluctuations With the IS-LM Model
 - B. IS-LM as a Theory of Aggregate Demand
 - C. The Great Depression
 - D. Appendix: The Simple Algebra of the IS-LM Model and the Aggregate Demand Curve

Second Midterm Exam: August 3, Monday
Tentative Coverage: Chapters 7-11

- XII. The Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime, Chapter 12
- A. The Mundell-Fleming Model
 - B. The Small Open Economy Under Floating Exchange Rates
 - C. The Small Open Economy Under Fixed Exchange Rates
 - D. Interest-Rate Differentials
 - E. Should Exchange Rates Be Floating or Fixed?
 - F. The Mundell-Fleming Model With a Changing Price Level
 - G. Appendix: A Short-Run Model of the Large Open Economy

- XIII. Aggregate Supply and the Short-run Tradeoff Between Inflation and Unemployment, Chapter 13
 - A. Three Models of Aggregate Supply
 - B. Inflation, Unemployment, and the Phillips Curve

Macroeconomic Policy Debates

- XIV. Stabilization Policy, Chapter 14
 - A. Should Policy Be Active or Passive?
 - B. Should Policy Be Conducted by Rule or by Discretion?
 - C. Appendix: Time Inconsistency and the Tradeoff Between Inflation and Unemployment
- XV. Government Debt, Chapter 15
(Discussion of this section will depend on time availability.)
 - A. The Size
 - B. Problems in Measurement
 - C. The Traditional View
 - D. The Ricardian View
 - E. Other Perspectives

Epilogue: What We Know, What We Don't

***Cumulative Final Exam
August 14, Friday (In Class)***