Intermediate Macroeconomics Analysis

Semester: Summer 2013
Section: (321) B6
Department: Economics (220)
Instructor: PhD. student Freddy Rojas Cama
Office: 406
Email: frojas@economics.rutgers.edu
Personal website: http://econweb.rutgers.edu/frojas
Course website: http://sakai.rutgers.edu
Location: Frelinghuysen BLD; Hall Room A-5
Office hours: TTh 5:00-5:50 pm or by appointment.

Important Dates
Final Exam July 2th, 06:00 - 09:00 p.m.
Exam I June 6th, 08:00 - 10:00 p.m.
Exam II June 20th, 08:00 - 10:00 p.m.

Holydays: July 4th.

The final exam date is already scheduled by the instructor. It is important you stay in campus before the final period exam is officially over.


Course Description. This course analyses modern and classical theories of income determination, stabilization, and economic growth; emphasis on unemployment and inflation. In other words, the goal of this course is to learn the main theories that explain economic fluctuations in the short, medium and long-run horizons.

The course will be centered around six main topics covering the following: 1) An introduction to macroeconomics, 2) Adjustment process in money (asset) and good markets, 3) Aggregate demand and supply: determination and equilibrium, 4) The Mundell-Fleming or IS-LM-BoP model, 5) Monetary policy and central banks and 6) Introduction to economic growth. The goal of the first part is to give definitions of key variables in the field of macroeconomics and a quick refresh about basic macroeconomics. Specifically, students will learn how to measure the economic activity properly; they will learn the difference between real and nominal terms and also they will be able to read and analyze current account movements. Then, the instructor will start with a quick motivation and brief introduction into the core of this course: IS-LM model. This session is very important because this model is the basis of the Mundell-Fleming framework that describes an open economy. In the lectures, students will learn how the asset and good markets are interconnected with adjustments in the external sector through nominal exchange-rate variations. In session 5 the instructor will review important monetary schemes.
adopter by central banks in the past and nowadays. Economic growth will be covered in the last session. Lectures will provide the foundations or principles to make countries successful in economic terms. Specifically, students will study the role of physical capital, labor skill and productivity on the path of growth. The lectures will be 3 hours and 40 minutes long; therefore, the instructor recommends that you familiarize yourself with all of the sections; it is strongly suggested to read the respective chapter of the book and prepare questions related to each topic before each class starts. This is the best strategy for dealing with the daily lectures.

Course Goals and Learning Outcomes. This class analyzes general equilibrium models of a monetary economy. Along the way, a student should gain a thorough understanding of the IS/LM model, the effect of monetary and fiscal policy on output and prices, the factors affecting economic growth, and issues related to the long-run solvency of the fiscal sector. Also, students must be able to have a complete understanding of the adjustment process when markets are in disequilibrium as well as interpret those adjustments for someone who is not trained as an economist. Analysis of policies in an open economy through adjustment in the exchange rate and interest rates is an important issue in this course; the student will study the interaction between money and goods markets with the external sector.

The department’s learning goals for the economics major can be found at: [Department’s learning goals](#).

Textbook. The text for this course is

<table>
<thead>
<tr>
<th>Gregory Mankiw: Macroeconomics</th>
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<tr>
<td>Worth Publishers; Eighth Edition @2013</td>
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</table>

The instructor recommends students to buy this book, specially if you are interested in a major in economics. In addition, the text has an excellent package of resources (quizzes and related material) and examples in [http://bcs.worthpublishers.com/mankiw8](http://bcs.worthpublishers.com/mankiw8). The instructor will be primarily using book’s slides (posted on sakai as instructor moves along). The lectures will cover additional examples, discussions and theoretical analysis. It is valid to follow other guides or notes available on internet, but you must be assured about the reliability of that information; do not hesitate to ask the instructor about what you may find in another sources.

Again, the instructor strongly suggests to review and read the topics before the class starts. Thus, you will be able to have time for reviewing topics you are not familiar with.

Course Outline. The course outline is as follows:

1. Introduction to macroeconomics.
   (a) Objectives and instruments.
   (b) Main variables and macroeconomic concepts.
(c) Measuring economic performance and comparison of real activity across countries.
(d) National accounts and external sector.
(e) Markets and equilibrium: Labor sector and financial markets.

II. Money, interest rates, expenditure and income.

(a) Consumption function, absorption and the multiplier.
(b) Government sector and the public budget.
(c) Good markets and the Investment-and-Save (IS) curve.
(d) Asset markets and the Liquidity-and-Money (LM) curve.
(e) Equilibrium of goods and asset markets.
(f) The adjustment into equilibrium.
(g) Effects of monetary policy on the macro system.
(h) Effects of fiscal policy on the macro system.

III. The medium-run: the demand and supply.

(a) Aggregate demand curve.
(b) Aggregate supply curve: Lucas curve and the Phillips curve.
(c) Fiscal and monetary policy effects.
(d) Salaries, prices and production.
(e) Okun’s law: unemployment and growth.

IV. Open-economy model.

(a) Openness in financial and good markets.
(b) Production, interest rate and real exchange rate.
(c) The Mundell-Fleming model (IS-LM-BoP).
(d) Expectations and real exchange rate variations.
(e) Currency Crisis: First Generation model.

V. Monetary policy and central banks.

(a) Monetary frameworks.
(b) Inflation Targeting.
(c) Currency boards.

VI. Introduction to Economic Growth.

(a) Harrod-Domar model.
(b) Solow Model.
(c) Gold Rule.
(d) The technological process.

The student can track the topics on (specific) dates along the course here. Also there are interesting links to look at:

a) Economics dictionary  
b) World Economic Outlook  
c) Country comparison

Homeworks. There are two homeworks in this course. The homeworks are based on adjustments in the IS-LM framework. Basically, the instructor requires students to solve a problem set of 10 questions, students may work in groups up to 2 people. The instructor recommends students use mathtype for editing mathematical expressions.

The purpose of the homework is to learn about equilibria and disequilibria in the markets, and more importantly the adjustment process. We will talk more about this homework in class. The purpose of working in groups is twofold. First, by sharing ideas you will be able to learn from each other. Second, to get you accustomed to work with other people, a likely situation in your future jobs. Frequently, a major part of an assignment will be summarized into various components. In order to understand the entire assignment, you should not divide the problems among your group members, but have each person working on each part and discussing what you come up with. Again, the idea of the course is to give you tools, and the instructor expects you to learn as much as you can. Here the schedule of the homeworks.

<table>
<thead>
<tr>
<th>Homeworks</th>
<th>Open date</th>
<th>Due date and time (ET)</th>
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<tbody>
<tr>
<td>Homework 1</td>
<td>June 4th, 11:59pm</td>
<td>June 11th, 11:59pm</td>
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<tr>
<td>Homework 2</td>
<td>June 11th, 11:59pm</td>
<td>June 25th, 11:59pm</td>
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All homeworks are submitted electronically on sakai, no hard copies are accepted (save the trees!). Also, you can email your homework to the instructor. If you are not able to submit your homework on due date your grade is zero. The instructor does not give extra-credit homeworks or assignments.

Grading policy. Each exam will be scored out of 100%. At the end of the semester, the scores will be converted into grades using the standard grading scale:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Interval</th>
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<tbody>
<tr>
<td>A</td>
<td>[ 85 - 100 ]</td>
</tr>
<tr>
<td>B+</td>
<td>[ 80 - 85 )</td>
</tr>
<tr>
<td>B</td>
<td>[ 75 - 80 )</td>
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<tr>
<td>C+</td>
<td>[ 70 - 75 )</td>
</tr>
<tr>
<td>C</td>
<td>[ 60 - 70 )</td>
</tr>
<tr>
<td>D</td>
<td>[ 50 - 60 )</td>
</tr>
<tr>
<td>F</td>
<td>[ 0.0 - 50 )</td>
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</tbody>
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All the quizzes will cover only the material since the last evaluation in the course; the final exam is cumulative (i.e. it will cover all lectures). If you do not attend quizzes or exams, you will receive a zero for that grade.
**Warning:** If you decide to drop the class, make sure you fill out the proper paperwork and let me know. If you do not officially withdraw, you will probably receive a failing grade for the course, which will remain on your record forever.

**Incomplete grade:** The grade of TZ is reserved for students who

a) are passing with a C or above  
b) cannot complete a small (25% or less) amount of the course for unavoidable documented reasons.

These criteria are subject to the instructor’s discretion. Incompletes are very rare, and are an opportunity to make up missed work, not a new start. I have rarely given incompletes!

**Withdrawals:** You may award a W to yourself by officially withdrawing. If you just quit coming to class without formally withdrawing, you will receive zeros on all of the remaining assignments, which will probably lower your grade to an F that will remain on your record forever.

**Course grading scheme**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Exam 1</td>
<td>25%</td>
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<tr>
<td>Exam 2</td>
<td>25%</td>
</tr>
<tr>
<td>Homework (2)</td>
<td>20%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>30%</td>
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**Attendance Policy.** Students are expected to attend all classes. If you expect to miss more than two classes, please use the University Absence Report Website System [http://sims.rutgers.edu/ssra/](http://sims.rutgers.edu/ssra/) to indicate date and reason of your absence. This system will send a report to the instructor.

**Student Conduct.** Academic dishonesty is a serious offense. Any cheating over examinations will mean an F for the student involved and will be reported to authorities of the student’s college. There are no warnings. The following actions are recognized as academic misconducts:  
a) Taking unauthorized materials into exams, b) submitting homeworks that do not belong to the student, the same applies to references and results of computational exercises. c) Improperly prior knowledge of an examination document and/or using it as material for the examination. Please, take a tour on Academic Integrity in the following student-conduct website link: [http://studentconduct.rutgers.edu/academic-integrity](http://studentconduct.rutgers.edu/academic-integrity), and instructor suggests to take a 20 minute interactive-tutorial on Plagiarism and Academic Integrity in the following link: [http://www.scc.rutgers.edu/douglass/sal/plagiarism/intro.html](http://www.scc.rutgers.edu/douglass/sal/plagiarism/intro.html)

**ADA compliance.** Please let your instructor know if you have a documented disability, so he can provide any accommodations you may need. Please check the following link for more information: [http://disabilityservices.rutgers.edu/request.html](http://disabilityservices.rutgers.edu/request.html)

**Make-Up Policy.** There are no make-ups for missed exams or quizzes due to absence or tardiness. A make-up is only allowed under unpredictable and uncontrollable events. The allowance for a make-up needs to be approved by the instructor and each request requires strict verification of documentation (e.g documentation that shows student sought medical attention or medical proof of serious injury). There are no make-ups for essays.
Exams. This is the (authorized) material you need for the quizzes and final exam:

a) Calculator
b) Pencil/pen and eraser
c) Rutgers Identification Card (RU ID)

The instructor will provide material for examinations in case you need them (e.g. ad-hoc functional forms). The content of the exams or tests will be distributed and read by instructor 3/5 minutes before the exam starts. If you need scratch paper you can ask for additional bluebooks. Also, you need to sign and write your name on a list your instructor is going to provide during the exam or quiz; please be sure not to leave the room without signing.

In the instructor’s trajectory, as professor of economics, he has always received questions about how to study or how to be prepared for tests or/and exams. Specifically for this course, the instructor suggests to work out the exercises in Mankiw’s book; this material is complementary to his notes/slides and discussion in lectures. As soon as classes start, the instructor will give you a detail of what exercises you need to look through. It is important to say that there are no multiple choice questions on examinations; however, the instructor recommends to review and practice the interactive flash cards and multiple choice questions in the website book’s material and thus, you can keep working out definitions or concepts; they will absolutely help you in the quizzes. The exams or tests are comprehensive and will focus on the goals and learning outcomes of this course.

Daily Lectures. As it was previously said, the material for the daily lectures are Gregory Mankiw’s slides. You must read and study the respective chapter of book before the lecture starts (the instructor will provide you of readings based on chapters of Mankiw’s book). It is your responsibility to keep reading and studying each topic in the book as long as the instructor moves along the course.

Appeals. Students can write appeals only for exams and quizzes. This appeal consists of one electronic sheet with the date of the exam or quiz, question(s) and arguments to support why student believe the grade is low (download the format here). You must send this appeal to the instructor attaching the original exam. The appeals are received only 4 (effective) days after the quiz is returned to the student but 1 (effective) day for the case of a final exam. Again, no appeals are received for homeworks.

Office Hours Policy. Office hours are available for helping students with the topics discussed in class; specifically, office hours are designed to clear up possible missing lines in lectures or just discuss questions, solutions in quizzes and work-out problems. Also, you can come by to my office and discuss further IS-LM problems you are interested in. You must know that office hours are not a substitute of a lecture class.

Because professor’s schedule is tight, the instructor will not be able to spend much time answering questions after class. However, the instructor usually comes to class 5-10 minutes early. Please try to catch the instructor by either come to his office hours, making an appointment or coming early to class.

Other Important Issues. Please check the following site

\[\text{http://bcs.worthpublishers.com/mankiw8/#t_796152}\]
to find out if a specific Rutgers campus is open and/or operating at a normal schedule. Please be alert to status reports given by the university; any cancellation of lectures are based on these reports.