




Bellarmino University
W. Fielding Rubel School of Business

Fall 2005 
Econ 232

Intermediate Macroeconomic Theory

Course Prerequisites: Econ 111 & 112
Section O | TR – 9:25 – 10:40 p.m. | H-104

Instructor: Dr. Frank Raymond

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Office Location: H-012-I

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Office Hours:

Tuesdays 1:35-3:00 pm

Wednesdays 11:00 am – 2:30 pm

Thursdays 1:35-3:00 pm

Required Materials:

- *Macroeconomics: Theories and Policies*, R.T. Froyen, Prentice Hall (8/e), 2005.
(7/e, 2002 may be used only if one accepts sole responsibility for coordination of material)

Optional Materials:

- Study Guide for *Macroeconomics*, (www.prenhall.com/froyen)
- *The Economist*, available in the library.
- *The Wall Street Journal*, available in the library - see me for discounted student subscriptions.

Course Description: Macroeconomics focuses on aggregate economic behavior, emphasizing the determination of national income, employment, production, and prices as an outcome of the interactions among product, labor and financial markets. The theoretical development and empirical verification of economic relationships is emphasized. Monetary and fiscal policies designed to maintain economic stability or enhance growth and development are analyzed within the context of Classical and Keynesian paradigms.

Course Goals and Objectives:

- This course satisfies the Thinking Skills, and Historical and Social Consciousness common educational experiences established by the University.
- This course meets the Economics and Political, Legal, Technical Social outcomes adopted by the Rubel School of Business.
 1. The course includes, but is not limited to analyses of classical and neoclassical economics, and Keynesian macroeconomics.
 2. The course includes, but is not limited to an analysis of the impact of public expectations on policy outcomes.
 3. The course includes, but is not limited to an analysis of monetary and fiscal policy.



The mission of the W. Fielding Rubel School of Business is to provide student centered, quality education in the Catholic liberal arts tradition at the undergraduate and master's levels. The Rubel School is enriched by the diverse intellectual perspectives inherent in the overall mission of Bellarmine University.

Academic Resource Center (ARC): Students needing or wanting additional and/or specialized assistance related to study techniques, time management, tutoring, test-taking strategies, etc. should seek out the resources of the A.R.C. located on the A-level in the W.L. Lyons Brown Library. Call 502/452-8071 for more information.

Disability/Accommodation Policy: Students with disabilities who require accommodations (academic adjustments and/or auxiliary aids or services) for this course must contact the Disability Services Coordinator (Room 225 Horrigan Hall or phone 452-8150).

Academic Honesty Policy:

Bellarmino students are expected to demonstrate a high standard of academic honesty in all aspects of their academic work and college life. Without intellectual integrity there can be no genuine learning. Academic dishonesty represents a direct attack on this integrity. In taking tests and examinations, completing homework and laboratory work, writing papers, and using information technology, students are expected to perform honestly. The University follows the policies outlined below for detected acts of academic dishonesty.

1. All cases of detected academic dishonesty will be reported by faculty to the Provost.
2. Plagiarism or cheating in any academic work will result in a recorded grade of "F" for that work
3. A second such offense during the course of a student's academic career at Bellarmine University will result in an "F" for the course in which the academic dishonesty has occurred. In addition, students who have committed a second offense of academic dishonesty during their academic career at Bellarmine University will be placed on academic probation for a minimum of one semester.
4. A third incidence of academic dishonesty during a student's academic career at Bellarmine University will result in immediate academic dismissal from the University.

Bellarmino University Non-discrimination Policy:

Bellarmino University admits qualified students of any age, sex, sexual orientation, race, color, religion, and national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of age, sex, sexual orientation, race, disability, color, religion, or national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school administered programs. Bellarmine University is an Affirmative Action-Equal Opportunity employer.

Grading Scale:

A+	=	4.0	For truly exceptional work; to be awarded rarely	B	=	3.0	Good
A	=	4.0	Excellent	B-	=	2.67	
A-	=	3.67		C+	=	2.33	
B+	=	3.33		C	=	2.0	Average
				D	=	1.0	Passing
				F	=	0.0	Failing

INSTRUCTOR GUIDELINES

Expectations for this Class:

Although this course traditionally emphasizes the evolution of macroeconomic theory, it also offers students the *opportunity* to develop a more complete understanding of current debates involving changes in government spending, interest rates and the money supply.

Keys to Success:

You alone are responsible for what you learn. To make the most of your *opportunity*:

1. *Regular attendance is crucial!* Come to every class. From past experience I've noticed that anything less than regular attendance will most definitely yield poor grades, since this course is based primarily on your class notes, occasional exercises from class discussions, and the homework problems. Although questions are always encouraged, I specifically solicit questions concerning the homework problems at the start of every class. There are considerable positive externalities, for if you think of a question, I guarantee at least a few others will have the same one in mind.
2. Read the text *as we move through* the material.
3. **CRUCIAL:** *Complete all the homework exercises provided in class as we move through the material.* Work additional problems as necessary.
4. *Students are requested to ask questions about the homework during the opportunities presented in class.* Of course you may also ask questions during the opportunities presented outside of class.
5. Complete required assignments in a timely manner (late assignments will be penalized a minimum of 10%).
6. Study *six* or more hours for each exam, *after* you have attempted all homework problems. I suggest that you begin studying a week in advance.
7. *Cheating:* Students are expected to complete ALL assignments independently unless specifically directed otherwise by this instructor. Violating this mandate constitutes a violation of the University's Academic Honesty Policy. Cases will be immediately directed to the Provost.
8. Professional and courteous conduct is expected at all times. Students are expected to comply with the following rules of classroom behavior.
 - a. Cell phones are to be turned off and put out of site. (If a student expects an emergency call, they must notify me before class, and I will give them permission to have the phone turned on in class that day. However, that student is expected to sit at the chair nearest the door).
 - b. There should be no off-task conversation or passing of notes. Students find stray conversations by neighbors particularly disruptive. In addition, each student's ideas are to be respected.
 - c. Students are expected to be in class and ready for class (books and notes open) at the designated class time. Occasionally, circumstances might occur which causes a student to be a few minutes late. I encourage students to go ahead and come into class quietly. However, if a student consistently comes in late, he will be asked to drop the class.
 - d. Students should not pack their bags and put material away prior my dismissing the class. I expect to dismiss the class at the assigned time. However, in order to

complete a problem or thought, I may have to go a minute or two over. On the other hand, I will also have days where I finish something a few minutes prior to class and not have time to complete a new problem or thought. On such occasions, I will let the class out a few minutes early. If a student must leave early on a given day, they should notify me prior to class and try to sit at a chair near the door. As with coming to class late, if a student consistently leaves class early, he will be asked to drop the class.

- e. Technically, bringing in any food or drink into the classroom is a violation of Bellarmine University rules. If students leave food-trash on the table, the Bellarmine University rules will be strictly enforced.

Chronological Outline of Chapters and Topics¹

Tentative Timeline

INTRODUCTION AND MEASUREMENT²

CH 1. Introduction.

Week 1

CH 2. Measurement of Macroeconomic Variables.

CH. 17. The Money Supply and the Banking System

CLASSICAL AND KEYNESIAN MACROECONOMICS

CH 3. Classical Macroeconomics (I): Equilibrium Output and Employment.

Week 2

CH 4. Classical Macroeconomics (II): Money, Prices, and Interest.

Week 3

CH 5. LR Growth: Origins of Wealth of Nations

Week 4

CH 6. The Keynesian System (I): The Role of Aggregate Demand.

Week 5

CH 7. The Keynesian System (II): Money, Interest, and Income.

Week 6

CH 8. The Keynesian System (III): Policy Effects in the IS-LM Model.

Week 7

CH 9. The Keynesian System (IV): Aggregate Supply and Demand.

Week 8

ANALYZING THE CONSEQUENCES OF EXPECTATIONS

CH 10. The Monetarist Counterrevolution.

Week 9

CH 11. Output, Inflation and Unemployment: Monetarist and Keynesian Views.

Week 10

CH 12. New Classical Economics.

Weeks 11-12

CH 14. Macroeconomic Models: A Summary.³

OPEN ECONOMY MACROECONOMICS

CH 15. Exchange Rates and the International Monetary System³

Week 13

CH 16. Monetary and Fiscal Policy in the Open Economy

Week 14

PAIR PRESENTATIONS

Week 14-15

Tentative Schedule of Assignments and Tests:

- Class Participation and Attendance Expectations:

¹ I will cover these topics in this order, though the actual amount of time will vary depending on the number of student questions and comments. Although the first part of the book appears technical, please keep up with the reading. I will clarify the issues in class. I will also provide several articles and handouts. Please keep a folder for these and bring it to every class.

² We will briefly review a selection of these topics from Econ 112. Students are largely responsible for reviewing and understanding these first two chapters on their own. The first homework assignment is designed to help everyone get up to speed as quickly as possible.

³ Read independently.

New material is presented in the form of a class lecture. Applications to public policy are discussed as a group. Although questions are always encouraged, I specifically solicit questions concerning the homework problems at the start of every class. There are considerable positive externalities, for if you think of a question, I guarantee at least a few others will have the same one in mind.

- **Homework:** You will be given several problem sets, a subset of which will be collected on (roughly) a biweekly basis. These primarily consist of direct applications from the lectures and old exam questions or problems. Solutions will be distributed. Homework scores are assigned in the following manner:

**v++ = 100%; 95-100% completed correctly,
v+ = 95%; 85-94% completed correctly,
v = 85%; 75- 84% completed correctly,
v- = 75%; 65-74% completed correctly,
NC = 0%; up to 64% completed correctly.**

If a student receives a “NC,” he may correctly complete the homework assignment within seven days for a grade of up to 70%. Occasionally, grades such as “v/v+” = 90% etc. are assigned.

- **Exams:** You will have a 30 minute “quiz,” as well as two "midterm" exams and a cumulative final exam. **The quiz will be administered on Thursday, September 8.** The dates for the in-class midterm exams are **Thursdays September 29 and November 3.** The final exam is: **Tuesday, December 6 @ 8:00am.** It is very important that students take the time to correct each exam. This facilitates further understanding and provides a study guide for the final exam.
- **Pair Presentations:** Students will be teamed in groups of two. If the class is large, I may assign some three person teams. Pairs will present topics from chapters 17-22 during the last week of classes. Read the relevant material from your text when you begin to prepare. Properly cite external sources. Topics will be very narrow in scope, so presentations will be limited to 10 minutes. This is not much time, so make your points very clearly, concisely AND conclusively! Power-point is encouraged. Be certain to bring hard copies of your notes for each member of the class. Also, each team is to send me an electronic copy of their presentation. It is my responsibility to assign the applications, dates and groupings. However, if you have strong preferences in this regard, I will try to accommodate your wishes if I can. Likely topics include a description of: the real business cycle approach, new Keynesianism, macroeconomic analysis of the great depression, targeting the money supply, targeting interest rates, comparing effectiveness of targets, central bank issues, partisan theory, automatic stabilizers, balanced budget policy effectiveness, implications of budget deficits at the federal level, effectiveness of supply side economics, impact of tax changes on labor decisions, realities of the Laffer curve, Growth policies under Reagan, GHW Bush, Clinton, and GW Bush, the life cycle and permanent income hypotheses, and money demand and risk.

Specific Grading Criteria:

Quiz, 10%; Highest Midterm Exam, 22%; Lowest Midterm Exam, 18%; Homework Average, 15%; Final Exam, 25%; Pair Presentation 10%. Professional and Courteous Conduct (S.D.I.), up to $\pm 5\%$. Percentage Conversions:
 96-100: A+ 92-95: A 88-91: A- 84-87: B+ 80-83: B
 76-79: B- 70-75: C+ 64-69: C 52-63: D < 52: F

Academic

Calendar:	8/26	Last day to withdraw with 100% tuition refund
	9/5	Labor Day
	9/8	Quiz 1
	9/9	Last day to change from audit to credit, credit to audit, grade to pass/fail, or pass/fail to grade.
	9/29	Test 1
	10/10&11	Mid-Semester Break
	10/21	Last day to withdraw with 50% tuition refund
	10/28	Last day to withdraw from a course with a "W".
	11/3	Test 2
	11/22-12/1	Presentations
	11/24-27	Thanksgiving Break
	12/6	Final Exam, 8:00-11:00 am

Attendance Policy: *Regular attendance is crucial!* From past experience I've noticed that anything less than regular attendance will most definitely yield poor grades, since this course is based primarily on your class notes, occasional exercises from class discussions, and the homework problems. Professional and courteous conduct is expected at all times. Although questions are always encouraged, I specifically solicit questions concerning the homework problems at the start of every class. There are considerable positive externalities, for if you think of a question, I guarantee at least a few others will have the same one in mind.

Late Work Policy: Late homework assignments will be penalized as dictated above. I do not give written make up exams. If you have to miss an exam, make arrangements to take it early. If you miss your presentation, you cannot earn a grade higher than 60% on the presentation. If you miss a peer group's presentation, 3% will be deducted from your presentation grade.

Public Folder Information: Relevant information will be addressed in class.