

**Economics 301.001**  
**Intermediate Macroeconomics**  
**Fall 2008, Monday & Thursday 12:45-2:00, Watkins G06**

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put "Econ 301" in the subject line  
Class website: AU blackboard

### **Course Description**

Economics 301 is an intermediate-level course on macroeconomic theory and policy. Professional macroeconomists use several well-known "models" to analyze economic developments and make recommendations for policy. In this class, we will spend time learning about each of these models and discussing their application to important policy issues. First, we will learn the classical or neoclassical model, associated with Milton Friedman. Next, we will learn the growth model, associated with Robert Solow. Finally, we will learn the model used for analyzing fluctuations in the business cycle, associated with John Maynard Keynes. Each model is instructive, but must only be used in the appropriate situation. While the business cycle model is used to discuss developments over a short time frame of about 2 years or less, the classical model is used for longer-term developments when short-run fluctuations have been worked through. The growth model applies to the very long term, and is helpful in understanding what determines a nation's growth over several decades. Part of the challenge in the class is learning the models, while another challenge is learning which model to apply in a given situation!

**Prerequisites:** Economics 100 and 200 or their equivalents.

### **Readings**

- The required text for the course is N. Gregory Mankiw, *Macroeconomics*, New York: Worth Publishers, 6<sup>th</sup> edition, 2006.
- There is an excellent web site that accompanies this text ([bcs.worthpublishers.com/mankiw6](http://bcs.worthpublishers.com/mankiw6)).
- Supplementary readings will be posted in the "Course Documents" area of the class Blackboard site, or will be distributed in class.
- It is your responsibility to configure your email properly so that you can receive email messages from Blackboard about this course.

## Assignments and Grading

Item	% of final grade	Dates
Problem Sets	10.0	September 11 & 25, October 30, December 4
Multiple choice quizzes	20.0	September 18, October 2 & 23, November 13
Current events analysis	10.0	Once per student during the semester (details to follow)
Midterm exam	25.0	October 13
Final exam	27.5	December 11 from 11:20 am until 1:50 pm
Class participation	7.5	Throughout the semester (see below)

### Problem Sets

Problems will be assigned from the text about one week before the due date (and will be posted in the "Assignments" area of the Blackboard site). You are permitted and encouraged to work together on the problem sets. These problem sets will be marked "plus" (100%), "minus" (60%), or "unacceptable" (0%). Late problem sets will not be accepted.

### Multiple choice quizzes

Quizzes will consist of 20 multiple choice questions taken from the self-test quizzes available on the text web site <http://bcs.worthpublishers.com/mankiw6e>. You will be allowed 20 minutes to complete each quiz.

### Current events analysis

On 7 Mondays during the semester, we will discuss important macroeconomic news in the press for about 30 minutes of class. On one of these Mondays, you will be required to make a presentation of about 4 minutes based upon reading some assigned news pieces or blog discussions related to a particular issue, and to give an analysis of it. Detailed instructions and a schedule will be distributed soon.

### Class participation

Part of your grade comes from class participation and includes attendance. To earn all 7.5 points, you would be expected to attend virtually all classes and regularly answer questions, ask illuminating questions, offer good comments and insights. Excellent attendance without much talking is worth about 5 points. Irregularities in attendance automatically reduces your participation points to 3 or below, and absences from 6 or more classes will reduce the participation grade to 0.

<b>Class policies</b>																															
Respect	Respect is critically important for the class, for my relationship with you, and for your relationship with your fellow students. Please bear this in mind.																														
Make-up tests (exams & quizzes)	Not given, except for absences caused by an unavoidable medical or family situation that can be documented and verified.																														
AU's Academic Integrity Code	In effect at all times. No plagiarism, no submitting work that is not your own, no violations of any kind. Violations will be prosecuted!																														
Ipods, computers, cell phones, other electronic devices	Not in use at ANY time during class. If a student is found in violation of this rule, he or she will be asked to leave the class on that day. Exceptions for the use of a computer during class will be made only upon request of an academic advisor.																														
Grades	<p>Grades reflect the evaluation of your work in the class, as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 10%;">A</td> <td style="width: 40%;">&gt; 94</td> <td style="width: 50%;">Outstanding/superlative work at all times</td> </tr> <tr> <td>A-</td> <td>90-93</td> <td>Excellent/consistently superlative work</td> </tr> <tr> <td>B+</td> <td>87-89</td> <td>Very good</td> </tr> <tr> <td>B</td> <td>84-86</td> <td>Good</td> </tr> <tr> <td>B-</td> <td>80-83</td> <td>Good, but with notable gaps</td> </tr> <tr> <td>C+</td> <td>77-79</td> <td>Average, but signs of effort to improve</td> </tr> <tr> <td>C</td> <td>74-76</td> <td>Average</td> </tr> <tr> <td>C-</td> <td>70-73</td> <td>Poor</td> </tr> <tr> <td>D</td> <td>below 70</td> <td>Very poor</td> </tr> <tr> <td>F</td> <td>way below 70</td> <td>Failing</td> </tr> </tbody> </table>	A	> 94	Outstanding/superlative work at all times	A-	90-93	Excellent/consistently superlative work	B+	87-89	Very good	B	84-86	Good	B-	80-83	Good, but with notable gaps	C+	77-79	Average, but signs of effort to improve	C	74-76	Average	C-	70-73	Poor	D	below 70	Very poor	F	way below 70	Failing
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## Course outline and schedule

Readings other than Mankiw are found in the "Course Documents" area of the Blackboard site. All readings are required. However, the material in the Mankiw text is essential to the course, while other readings may be read less closely. It is advisable to re-read the supplementary readings after they are discussed in class.

### I. Some Basics: August 25 - September 4

- Chapter 1: Introduction
- Chapter 2: Data & Measurement

### II. Classical or Neoclassical Theory (the long run): September 8-29

"Inflation is taxation without legislation."

--Milton Friedman

- Chapters 3-6
- "German Monetary Targeting: A Retrospective View" by Linda S. Kole and Ellen E. Meade, *Federal Reserve Bulletin*, October 1995.
- "Capital Goes Global," *The Economist*, October 1997.

### III. Growth Theory (the very long run): October 2-9

"The tragedy of the poor is the poverty of their aspirations."

--Adam Smith

- Chapter 7: The Neoclassical or "Solow" Growth Model
- Chapter 8: The "Solow" Model with technological progress

### IV. Business Cycle Theory (the short run): October 16 - November 20

"Long run is a misleading guide to current affairs. In the long run, we are all dead."

--John Maynard Keynes

- Chapters 9-11, 13, 12
- "Can The Phillips Curve Help Forecast Inflation?" by Kevin J. Lansing, *Federal Reserve Bank of San Francisco Economic Letter 29*, October 2002.
- "A Working Model," *The Economist*, August 2005.

### V. Policy Dilemmas: November 24 - December 4

- Chapters 14-15
- Epilogue