

ECON 318
MACROECONOMIC ANALYSIS
Tuesday and Thursday 0800-0915
TCFE 131

Prof. Frank Hefner
Fall 2017
Office Hours: 11:00-12:30 Tuesdays and Thursdays
and by appointment

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ECON 318 Macroeconomic Analysis (3)

A study of classical, Keynesian, and post-Keynesian economics involving the issues of consumption, monetary and fiscal policy, growth, interest, and liquidity.

Prerequisites: ECON 200, ECON 201, MATH 104 or Math 250, Math 105 or Math 120; or permission of instructor.

INTRODUCTION – What this course is all about

Model building will be emphasized in this course. We will roughly follow the text, but not always. The text is a supplement to the lectures. The classical model will be covered first, including traditional growth theory and the quantity theory of money. Keynes will be introduced by way of the Keynesian Cross. The IS curve will be developed graphically from the 45 degree model. Liquidity preference will be introduced. Using the supply and demand for liquidity, the LM curve will be derived. Monetary and fiscal policy will be discussed. Introducing flexible prices will allow us to develop the AD curve. Finally the AS curve will be added to complete the neo-classical synthesis. The emphasis will be on the application of models to various macroeconomic issues. The international component will be discussed throughout the course. We live in interesting macro times. We will discuss current topics as they come up. Unfortunately, we cannot wait until the end of the course when we have the full macro model at our disposal to analyze these topics. So you will have to develop the knack of analyzing the problem using the model at hand, and then modify your analysis as we learn more about macro models. Exams will consist mostly of problems and essays.

GOALS – By the end of this course, students should be able to do the following:

- explain how to measure economic activity and how to evaluate economic performance
- describe the differences between the various schools of macroeconomic theory.
- explain macroeconomic policy: fiscal and monetary
- discuss the effects of trade, exchange rates, and government deficits
- critically apply macroeconomic models to analyze current issues

The course meets all of the School of Business learning goals.

All College of Charleston policies and procedures are followed in this course.

TEXTS

Recommended:

Macroeconomics: Theories and Policies by Richard Froyen (10th edition)

Reading materials may also be posted on OAKS and put on reserve in the library.

GRADING AND EXAMS

Midterm (Sept. 28)	100
Quizzes and homework problems	100
Review of Problems (Nov. 21)	100
Term Paper	100
Final Exam (Dec. 9: 0800-1100)	200

Grading Scale	A	= 90 - 100 %	Grades are not curved
	B+	= 87 - 89	
	B	= 80 - 86	
	C+	= 77 - 79	
	C	= 70 - 76	
	D+	= 67 - 69	
	D	= 60 - 66	
	F	< 60	

Calculating your grade:

Your grade is a weighted average calculated in the following manner:

$(\text{Midterm} + \text{HW and Quizzes} + \text{Review of Problems} + 2 * \text{Final} + \text{paper}) / 6 = \text{your grade.}$

You should keep track of your grades.

Grade Appeals Process:

- Do not approach me with grade questions during class, or in the few minutes before or after class. And please do not ask me to reconsider your grade via email. These discussions should take place in my office.
- This communication must occur within 5 business days after receiving your grade.

Keep track of your grades. I return all assignments. If you are not in class the day I return the assignment, you will need to see me in my office to retrieve your work.

ACADEMIC INTEGRITY: All students are expected to adhere to the College Honor Code. This includes plagiarism. In addition to penalties that may be imposed on you by the honor board of the College of Charleston; in the case of plagiarism you will receive a grade of zero for the written component of the semester grade. In the case of other

violations of academic integrity you will receive an F for the semester. Students can find the complete Honor Code and all related processes in the *Student Handbook* at <http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php>

ATTENDANCE: You are expected to attend class. Students who miss class regularly typically do not pass this course. Late assignments are not accepted and will result in a grade of zero. Missed papers and exams may be completed with an approved absence memo from the Office of the Associate Dean of Students at 67 George Street. You are responsible for all material covered in class. A missed quiz with an excused absence will not be counted. A missed quiz or exam without an excused absence counts as a zero. (http://www.cofc.edu/studentaffairs/general_info/absence/)

GENERAL INFORMATION: Course policies may be changed during the semester. Any changes will be announced in class. You are responsible for all material covered in class. Lectures may or may not follow the text. Additional reading material may be assigned during the class. You will be tested on assigned reading and lecture material. If there is a student in the class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services / SNAP, please come and discuss this with me during my office hours.

CLASS DECORUM: Normal classroom behavior is expected. I do ask that students not wear hats during the lecture. Turn off cell phones and beepers before class starts. This means no texting during class time. No laptop computers may be used in class without the explicit permission of the instructor.

List of topics covered

Review of Classical Macroeconomics

 Growth theory

 Micro approach to markets

 Supply and Demand

 Fixed and flexible prices

 Factor demands

 Labor

 Loanable funds

 International Trade

 Foreign exchange

 Exchange rate regimes

 Argentina Case Study (convertibility)

 Factor Mobility

 International Fisher Relationship

 Hume price-specie flow model

 Twin Deficits Theory

- Balance of Payments
- Classical money
 - Quantity theory of money
- Supply and demand again
 - Bond price model
 - Effects of risk and inflation
- Operation Twist
- Money supply and demand (Keynes's liquidity preference approach)

Introduction to business cycles

The Keynesian Approach

- 45 degree model
- Fiscal policy

IS-LM models

- Fiscal and monetary policy

AS-AD models

- Phillips curve: short run and long run

Policy Issues

- Stabilization policy
- Debt and deficits

Financial crises and the crisis in Macroeconomics

Term Paper: There will be one paper during the semester. There are two avenues of research you may take.

1.
Analyze the current economic condition of a country of your choosing. You should also provide recommendations for monetary and fiscal policy consistent with your analysis. The paper should be comprised of two sections. The first will be the written portion and should be between 10-15 pages in length, double-spaced. You should provide a summary of your analysis and recommendations, followed by a description of the current economic conditions of the country, and then your policy recommendations. The second part of the paper is the data that you compile to clarify and deepen your understanding of the current economic situation. This will serve as the appendix to the paper. The data selected, the time frame, and measurement used (e.g. year-over-year percentage change, seasonally adjusted annualized rate) should be made so as to maximize the insight brought to bear by that indicator. Graphs intended to depict the current macroeconomic situation must include the most recent data available. The analysis of economic conditions should tie

closely to the graphs. It is preferable that these graphs be formatted consistently and printed 2 to a page.

2.

Analyze a current macroeconomic issue. Examples would include aging population, productivity, immigration, tax reform, etc. You will need at least 5 academic (Federal Reserve Reviews, academic journals, etc.) and 5 journalistic citations (Wall Street Journal, New York Times, Fortune, etc.) The paper should be at least 10 pages in length, double-spaced.

Topics must be approved no later than October 5. Final paper is due Dec. 5, no later than 4:00 pm. The paper is to be delivered to the professor or the departmental administrative assistant, Ms. Perry. Late papers will not be accepted. Of course you may submit your paper earlier. If you submit your paper earlier I will review one draft which will give you the opportunity to make corrections to ensure a god grade.

Note: The syllabus may be modified during the semester as events warrant.

Generic Syllabus Material

ECON 318

1. COLLEGE OF CHARLESTON HONOR CODE AND ACADEMIC INTEGRITY

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student's actions are related more to a misunderstanding will be handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student's file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student's transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration--working together without permission-- is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others' exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the *Student Handbook* at <http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php>

IMPACT ON GRADE IN THIS COURSE: All students are expected to adhere to the College Honor Code. This includes plagiarism. In addition to penalties that may be imposed on you by the honor board of the College of Charleston; in the case of plagiarism you will receive a grade of zero for the written component of the semester

grade. In the case of other violations of academic integrity you will receive an F for the semester.

2. ATTENDANCE: Students are expected to **attend all classes**. Non-urgent/non-emergency situations should be addressed by the student during times that do not interfere with the student's course schedule, just as one would if s/he was seeking time off from an employer.

In the event that a student misses a class with a legitimate, documentable reason, that student may bring documentation to the Absence Memo Office located at 67 George Street (between Stern Center and Glebe Street) where the student may fill out a form with a schedule of missed class (es), dates missed, etc. A representative from the Absence Memo Office will notify the appropriate faculty by E-mail. Any missed assignments, class work, papers, tests, etc., are to be arranged between the professor and the student. **It is important to note that the only individual who can authorize an excused absence is the professor of the missed class.**

<http://studentaffairs.cofc.edu/about/absence-memo/index.php>

Absences Relating to Disabilities

Students with physical or psychological disabilities are to contact the Office of Disability Services at 843.953.1431. Information on this office may be located at <http://disabilityservices.cofc.edu/index.php>. **Please note:** If absences become excessive, regardless of the reason, it is important you schedule an appointment with Undergraduate Academic Services Office (843.953.5674) to discuss academic issues.

Temporary Injury Affecting Mobility or Use of Dominate Hand or Arm

Students who experience temporary injury affecting mobility or use of dominant hand or arm should refer to the Temporary Injury webpage at <http://disabilityservices.cofc.edu/temp/index.php> for information on assistance.

3. CLASS DECORUM: Normal classroom behavior is expected. I do ask that students not wear hats during the lecture. Turn off all pagers, beepers, and cell phones before class. This means no texting during class time. No laptop computers may be used in class without the explicit permission of the instructor.

4. SPECIAL NEEDS: The College will make reasonable accommodations for persons with documented disabilities. Students should apply at the Center for Disability Services / SNAP. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before an accommodation is needed

If there is a student in the class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services / SNAP, please come and discuss this with me during my office hours.

If you have any concerns about the class, please contact me.

5. SCHOOL OF BUSINESS LEARNING GOALS:

COMMUNICATION SKILLS: Students will demonstrate the ability, via both written and spoken word, to effectively present, critique, and defend ideas in a cogent, persuasive manner.

QUANTITATIVE FLUENCY: Students will demonstrate competency in logical reasoning and data analysis skills.

GLOBAL AND CIVIC RESPONSIBILITY: Students will be able to identify and define social, ethical, environmental and economic challenges at local, national and international levels. Students will also be able to integrate knowledge and skills in addressing these issues.

INTELLECTUAL INNOVATION AND CREATIVITY: Students will be able to demonstrate their resourcefulness and originality in addressing extemporaneous problems.

SYNTHESIS: Students will demonstrate the ability to integrate knowledge from multiple disciplines incorporating learning from both classroom and non-classroom settings in the completion of complex and comprehensive tasks.

Demonstration of achievement will be through completion of writing assignments, quizzes, and examinations.

ECON 318 uses graphical analysis which emphasizes **quantitative and logical ability**.

ECON 318 covers **international** issues, such as trade and finance.

ECON 318 requires **intellectual innovation and creativity** as students apply macro models to new situations.

6. Center for Student Learning

I encourage you to utilize the Center for Student Learning's (CSL) academic support services for assistance in study strategies and course content. They offer tutoring, Supplemental Instruction, study skills appointments, and workshops. Students of all abilities have become more successful using these programs throughout their academic career and they are available to you at no additional cost. For more information regarding these services please visit the CSL website at <http://csl.cofc.edu> or call (843)953-5635.

7. Writing Lab

I encourage you to take advantage of the Writing Lab in the Center for Student Learning (Addlestone Library, first floor). Trained writing consultants can help with writing for all courses; they offer one-to-one consultations that address everything from brainstorming and developing ideas to crafting strong sentences and documenting sources. For more information, please call 843.953.5635 or visit <http://csl.cofc.edu/labs/writing-lab/>.

8. Department of Economics Learning Goals:

Understanding Major Economic Problems

Students demonstrate an understanding of the major economic problems facing society and the policy alternatives which may be utilized to contend with these problems. Supports Strategic Initiative 1: Enhance the undergraduate academic core.

Quantitative Fluency

Students demonstrate the ability to draw insights about economic behavior from the application of mathematical tools. Supports Strategic Initiative 1: Enhance the undergraduate academic core.

Synthesis

Students demonstrate the ability to access existing knowledge by retrieving, assembling, and organizing information on particular topics and issues in economics. Supports Strategic Initiative 1: Enhance the undergraduate academic core.

Communication Skills

Students demonstrate the ability to clearly communicate the analysis of an economic issue. Supports Strategic Initiative 1: Enhance the undergraduate academic core.

This course attempts to meet all of the Departmental learning goals.