ECON 318
MACROECONOMIC ANALYSIS
Tuesday and Thursday 0800-0915
TCFE 132

Prof. Frank Hefner
Spring 2019
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

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

Recommended: (note: lectures loosely follow the text)

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

Note: There is an e-book rental available also. Earlier editions are acceptable.

Other reading materials may be assigned.

GRADING AND EXAMS

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam 1 (Feb. 7)</td>
<td>100</td>
</tr>
<tr>
<td>Exam 2 (March 12)</td>
<td>100</td>
</tr>
<tr>
<td>Term Paper</td>
<td>100</td>
</tr>
<tr>
<td>Final Exam (April 28: 0800-1100)</td>
<td>200</td>
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</tbody>
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Grading Scale

- A = 90 - 100%  
- B+ = 87 - 89  
- B = 80 - 86  
- C+ = 77 - 79  
- C = 70 - 76  
- D+ = 67 - 69  
- D = 60 - 66  
- F < 60

Grades are not curved

EXTRA CREDIT: From time to time, very interesting speakers come to the business school. Attending one of the approved lectures and writing up an analysis of the presentation will count for 10 additional points to your semester total, with a limit of 4. Papers must be typed (double spaced, 12 point font, include a cover page that includes your name, the course, date of lecture, name of presenter and topic). Papers are to be turned in at the beginning of class or earlier. Generally an acceptable length is 1-2 pages. The write up is due in the next class immediately after the extra credit lecture.

Calculating your grade:

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

\[(\text{Exam 1} + \text{Exam 2} + 2\times\text{Final} + \text{paper} + \text{extra credit})/5 = \text{your grade}.\]

You should keep track of your grades. You should note that the midterm grade required by the College is not part of the formula above.

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 Absence Memo Office. 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://victimservices.cofc.edu/absence-memo/index.php

**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. Cell phone should not be visible. No laptop computers may be used in class without the explicit permission of the instructor. (see appendix regarding cell phone policy)

**E-POLICY**: I attempt to respond to e-mail messages. For example, you should schedule appointments with me via e-mail. I will not respond to requests for grades or questions about homework problems. Assignments will not be accepted via e-mail, unless you have an excused absence.
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
  Panic of 1907
  The Great Depression
  The Great Recession
**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 March 8. Final paper is due April 24, 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 by April 13, I will review one draft which will give you the opportunity to make corrections to ensure a good grade.

*Note: The syllabus may be modified during the semester as events warrant.*
**Generic Syllabus Material Spring 2019**

**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 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](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 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.

Note: I will use ‘common sense’ to approve absences. Examples of approved absences include illness (please do not come to class if you have the flu or other communicable illness), death (family or close friends—you will need to provide an obituary notice for documentation), wedding, accident, car breakdown, arrest, court summons, approved college events, etc. This is not a complete list. Ski trips, cruises to the Bahamas with your family, and so on are not excused and should be discussed in advance with the professor.

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. Cell phones should not be visible; i.e., not on top of the desk, in your lap, in your open bag, etc.

Regarding cell phone: Research at the University of Texas “found that someone’s ability to hold and process data significantly improved if his or her smartphone was in another room while taking a test to gauge attentional control and cognitive processes. Participants
who kept their phones in a pocket or bag also outperformed those who kept their phones on the desk while taking the same test. Again, even if the phone was turned off and face down on the desk, the mere sight of one's own smartphone seemed to induce “brain drain” by depleting finite cognitive resources.” “One of the most valuable takeaways from this study is that it doesn’t seem to matter whether your smartphone is turned on or off—or whether it's face up or face down on a desk close to you...Just having your smartphone within sight can reduce your proficiency on cognitive tasks that require your undivided attention. Luckily for all of us, putting your smartphone in another room, a pocket, or the bottom of a bag seems to be an easy remedy for this problem.”


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.