

GOVERNORS STATE UNIVERSITY
College of Business and Public Administration



Course: INTERMEDIATE MACROECONOMICS

Course No.: ECON 410

Session: FALL/WINTER 1993-94

Instructor: Dr. A. Petro

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Office Hours: Monday: 8:30 a.m.-9:30 a.m.; 10:45 a.m.-11:00 a.m.
12:15 p.m. - 12:45 p.m.
7:00 p.m. - 7:30 p.m.
Wednesday: 8:30 a.m.-9:30 a.m.; 10:45 a.m.-11:00 a.m.
12:15 p.m. - 12:45 p.m.
Thursday: 7:00 p.m. - 7:30 p.m.

Credit Hours: 3

Catalog Description: The subject matter deals with the aggregate level of economic activity. It analyzes the methodology of national income accounts, development of goods, money and labor markets, and the impact and effect of policy instruments. Models are used to develop the interdependence of markets in the determination of the aggregate level of economic activity.

Prerequisites: ECON 301 and ECON 302 for junior and senior level students.

Textbook: R. E. Hall & J. B. Taylor, Macroeconomics, W. W. Norton. 3rd Ed. 1991.
D. H. Papell, Study Guide with Macrosolve Exercises, W. W. Norton. 3rd Ed. 1991
(Optional)

TOPICS AND ASSIGNMENTS: Numerical and analytical problems at the end of each chapter are part of class assignments.

I. Introduction

Objective: Introduce the basic aims and methods of macroeconomics. Briefly defines some variables and review them over time. Introduction of explanations of the fluctuations that occur.

- a. Basic Aims & Methods
- b. Fluctuations: Variables Over Time
- c. Explanations: Flexible and Sticky Prices

Text: Chapter 1

II. Economic Performance: National Income & Product

Objective: Define concepts. Introduce the methodology used in the measurement of aggregate economic activity. Review the Department of Commerce Data. Establish identities from the structure of data.

- a. Methodology & Definitions
- b. Measurement: NIPA
- c. Extensions: Application of Identities

Text: Chapter 2

III. Economic Performance: Additional Measurements

Objective: Define concepts, review the distinctions in the terminology, and detail the measuring problems. Develop the relationships between employment and GNP

- a. Inflation: CPI, IPD
- b. Employment - Unemployment
- c. Okun's Law: Potential GNP

Text: Chapter 3

Examination #1

IV. The Long-Run I: The Growth Model

Objective: To explain the growth path of potential GNP. Develop the Long-Run model.

- a. The determinants of economic growth
- b. Full-employment equilibrium and potential GNP
- c. Growth formula
- d. Growth policies

Text: Chapter 4

V. The Long-Run II: Fiscal & Monetary Policies at Full Employment

Objective: Evaluate the effects of policy in the context of the Long-Run model.

- a. Effects on real GNP
- b. Effects on components of output
- c. The money market and the price level

Text: Chapter 5

VI. Short-Run Fluctuations

Objective: Develop the basic model to explain the measured economic activity. Establish the way variables form the framework for understanding. Use models in the form of graphics and in terms of algebra

- a. Consumption and Income Identity
- b. The Model: Graphic and Algebra
- c. The Multiplier Concept
- d. The Foreign Sector

Text: Chapter 6

VII. IS-LM Model

Objective: To add to the model already developed. The money supply and interest rates in a model called the IS-LM model.

- a. Investment expenditures and interest rates
- b. Exports and interest rates
- c. Derivation of the IS and LM Curves

Text: Chapter 7

VIII. The Complete Model

Objective: Develop the concept of price adjustment to link the Short-Run and Long-Run models in the complete model, and add the policy implications with and without shocks to the economy.

- a. Price adjustment process
- b. Phillips Curve Analysis

Text: Chapter 8
Chapter 9

EXAMINATION #2

IX. The Behavior of Expenditure Components: Micro-Foundations

- 1. Consumption

Objective: Develop empirical evidence for policy implications, and explain hypotheses from that evidence.

- a. Empirical Evidence
- b. Hypotheses about Consumption Behavior

Text: Chapter 10

2. Investment

Objective: Analyze the element in the decisions involved in investment expenditures that over time has been the most volatile component of aggregate demand.

Text: Chapter 11

3. Export & Imports

Objective: Open the model to the foreign sector in terms of policy implications of the exchange rate, interest rates and net exports.

- a. Definitions
- b. Determinants of Net Export: Effect on Income
- c. Policy Regimes: Exchange Rate & Capital Movements

Text: Chapter 12; pp. 537-550

4. Government

Objective: Define concepts and analyze the effect of deficits in the aggregate economy.

- a. NIPA: Budgets and Deficits
- b. Cyclical & Structural Deficits
- c. Deficits; Interest rates; Government Debt

Text: Chapter 13

IX. The Monetary System

Objective: Define concepts appropriate for aggregate analysis. Develop the specifics of money supply and demand on the LM Curve for policy implications.

- a. Elements
- b. Money Supply & Demand: The LM Curve
- c. Some Monetary Economics

Text: Chapter 14

EXAMINATION #3

Grading Policy

The exams are objective type: true-false, multi-choice, problems, etc. The final exam has an optional section (do or not do) worth 25 percent and covers any material from chapters not included on the final.

Grades are based on the performance on three exams. The sum of the exams as a percent of the total possible points will determine the grade as in the following scale:

A = 90%
B = 80%
C = 70%
D = 60%
F = less than 60%

Attendance & Make-ups

Attendance is required and absences will be recorded. After three absences you will not be allowed to sit for the next exam. You are responsible for materials covered in missed classes. Make-up exams will be given the last week of the trimester.

Syllabus Statement for Persons with Disabilities

It is the intention of the institution to support full participation of all students, regardless of physical ability level. Therefore, if any student needs consideration of his/her physical abilities in order to complete the course, please notify the instructor as soon as possible.