ECONOMICS 302
INTERMEDIATE MACROECONOMICS
Fall 2023

Professor: Jan Ondrich

Office: 426 Eggers Hall

Phone: 315 (443)-9052

Office Hours: MW2:15-3:30pm and by appointment.

Email: jondrich@maxwell.syr.edu

Text: Robert J. Gordon, *Macroeconomics,* Twelfth Edition. Ebook available from www.redshelf.com.

This course is on the Syracuse University Blackboard System. Students can access the Blackboard System by typing in the following URL—

http://blackboard.syr.edu

and then logging in with their NetID and password. Students are responsible for checking for announcements every Thursday evening, although frequently there will be no announcements

Course Description:

Economics 302 is a one-semester course in intermediate macroeconomics and is a required course for all economics majors. Students who have questions about course sequencing should meet with an economics advisor. An excellent understanding of algebra (and Cartesian geometry) is assumed.

Macroeconomics is the study of interrelationships among economic aggregates, including employment, the inflation rate, consumption, investment and gross or net domestic product. The goal of this course is to help students understand the institutions that shape both the modern market economy and modern global economy, and to familiarize them with tools that have been developed for analyzing the performance of these economies over time. Moving through the text at the rate of about a chapter every three lectures (less time for less difficult chapters and more time for more difficult chapters), I hope to cover at least the first eight chapters in their entirety. The readings will be supplemented by discussion of topics of current concern to financial markets in the global economy.

Grading:

Student grades will be determined by class participation,and performance on three problem sets, two mid-term examinations and a final exam.

Class participation will be determined by attendance taken by roll call randomly throughout the semester and will count for 10 percent of the final grade.

The student's two highest problem set grades will count 10 percent each towards the final grade. The importance of providing comprehensive answers to the problem sets before the next test necessitates the implementation of absolute deadlines for each problem set, after which no work can be accepted. Although students may work together to come up with answers for the problem sets, each submitted assignment must represent the intellectual effort of the individual student. Assignments handed in by a team will not be graded, nor will identically formatted answers printed out several times, or assignments cut and pasted in any way by word processor.

Each of the mid-term examinations will count 20%, while the final will be worth 30%. The mid-term examinations will take place in class, while the final will be given in the final examination period. Calculators with an ALPHA key may not be used during examinations. Copying from other students during tests will result in an F for the course. Grades for numerical totals for the course are given by the following table:

Grade	Range
A	85.0-100.0
A-	81.0-84.9
B+	78.0-80.9
B	75.0-77
B-	72.0-74.9
C+	69.0-71.9
C	65.0-68.9
C-	60.0-64.9
D	50.0-59.9
F	0.0-49.9

The date of the first midterm is October 5 and will cover the material from chapter 1 to the point in chapter 3 when interest rate effects are introduced (see readings below). The date of the second midterm is November 9 and will cover the remainder of chapter 3 to the end of chapter 7, but excluding the work on imperfect capital mobility. The final examination is not cumulative and will cover from imperfect capital mobility to the end. The date of the final examination is given on the Syracuse University Academic Calendar. The time of the final exam cannot be changed; all students must complete the final exam at the scheduled time.

No makeup homeworks or midterms will be given. With an acceptable written excuse from a physician or the student's Dean's Office the weighting of a missed midterm will be moved to the final exam.

Learning Outcomes:

1. To learn both the accounting foundations of modern macroeconomics and the foundations relating to the aggregate behavior of households, firms, capital markets, and the government.
2. To learn how interest rates affect consumption and investment behavior.
3. To learn the weak and strong effects of fiscal and monetary policy.
4. To learn how to construct a sustainable system for government surplus and deficit.
5. To learn how exchange rates impact fiscal and monetary policy.
6. To learn how the theory of aggregate demand differs from the demand theory of microeconomics.
7. To learn the causes of inflation and negative growth in a modern macroeconomy.

Students with a Disability:

Syracuse University values diversity and inclusion; we are committed to a climate of mutual respect and full participation there may be aspects of the instruction or design of this course that result in barriers to your inclusion and full participation in this course. I invite any student contact me to discuss strategies and/or accommodations that may be essential to your success and to collaborate with the Center for Disability Resources (CDR) in this process.

Faith Tradition Observances:

Syracuse University Religious Observance Policy recognizes the diversity of faiths represented in the campus community and protects the rights of students, faculty, and staff to observe religious holidays according to their traditions. Under the policy, students are given an opportunity to make up any examination study or work requirements that may be missed due to a religious observance, provided they notify their instructors no later than the academic drop deadline. For observances occurring before the drop deadline, notification is required at least two academic days in advance students may enter their observances in myslice under Student Services/Enrollment/My Religious Observances/Add a Notification.
For further information on the University's religious observances policy, see https://policies.syr.edu/policies/university-governance-ethics-integrity-and-legal-compliance/religious-observances-policy/

Academic Integrity Policy:

Syracuse University's Academic Integrity Policy reflects the high value that we, as a university community, place on honesty in academic work. The policy hold students accountable for the integrity of all work they submit and for upholding course-specific, as well as university-wide, academic integrity expectations.

The policy governs citation and use of sources, the integrity of work submitted and exams and assignments, and truthfulness in all academic matters, including course attendance and participation. The policy also prohibits students from: 1) submitting the same work in more than one class without receiving advance written authorization from both instructors and, 2) using websites the charge fees or require uploading the course materials to obtain exam solutions or assignments completed by others and present the work as their own.

Under the policy instructors who seek to penalize the student for suspected violation must first report the violation to the Center for Learning and Student Success (CLASS). Students may not drop or withdraw from courses in which they face a suspected violation. Instructors must wait to assign a final course grade until a suspected violation is reviewed and upheld or overturned.

Upholding Academic Integrity includes abiding by instructors' individual course expectations, which includes the protection of their intellectual property. Students should not upload, distribute, or otherwise share instructors course materials without permission.
Students found in violation of the policy are subject to grade sanctions determined by the course instructor and non-grade sanctions determined by the School or College were the courses offered, as described in the Violation and Sanction Classification Rubric. Students are required to read an online summary of the University's academic integrity expectations and provide an electronic signature agreeing to abide by them twice a year during preterm check-in on myslice.

The Violation and Sanction Classification Rubric establishes recommended guidelines for the determination of great penalties by faculty and instructors, while also giving them discretion to select the grade penalty they believe most suitable, including course failure, regardless of violation level.

For further information on the University's academic integrity policy see https://class.syr.edu/policies/academic-integrity/policy/

Discussing test or exam questions with anyone during the test or exam violates academic integrity expectations for this course, as does use of a proscribed type of calculator without explicit permission.

Using websites that charge fees or require uploading of course material, e.g. Chegg, Course Hero, to obtain test or exam solutions or assignments completed by others and present the work is your own violates academic integrity expectations in this course.

Use of Class Materials and Recordings:

Original class materials, such as handouts, assignments, tests, etc., and any recordings of class sessions, for example using Zoom or WebEx, are the intellectual property of the course instructor. You may download these materials for use in this class. However you may not provide these materials to other parties without permission. Doing so is a violation of intellectual property law on the student code of conduct.

Readings:

1. Gordon, Chapter 1: What is Macroeconomics? pp. 1-24.

The chapter presents an overview of macroeconomics with definitions of important concepts such as GDP, short-run and long-run. Chapter lays out the "Big Three" concepts of macroeconomics and has a section on macroeconomics at the extremes. It concludes by discussing stabilization policy and the "internationalization" of macroeconomics.

2. Gordon, Chapter 2: The Measurement of Income, Prices and Unemployment, pp. 25-56.

The circular flow of income is introduced and an algebraic analysis of the circular flow is started using the "Magic Equation". The components of the National Income and Product Accounts are studied. The difference between the "old" implicit GDP deflator and the "new" chain-weighted GDP deflator is discussed. The chapter concludes with a discussion of the measurement of unemployment.

3. Gordon, Chapter 3: Income, and Interest Rates: The Keynesian Cross Model and the *IS* Curve, pp. 57-92.

Gordon introduces the concept of equilibrium in the goods market as the point at which income equals planned expenditures. Thus, if unplanned expenditures are nonzero, the goods market is out of equilibrium. The consumption function is introduced and its importance in the equilibrium condition is explained. The "multiplier" effect of exogenous changes in aggregates such as planned investment, government spending, and net exports is described. The importance of interest rates in the consumption decisions of households and the investment decisions of firms is described. Finally, the *IS* curve is derived as the locus of points in (*Y*,*r*)-space at which the goods market is in equilibrium.

4. Gordon, Chapter 4: Strong and Weak Policy Effects in the *IS-LM* Model, pp. 93-128.

Gordon introduces the money market generally and the role of the money in a modern macroeconomy. The *LM* curve is derived as the locus of points in (*Y*,*r*)-space at which the money market is in equilibrium. Together with the *IS* curve, a complete equilibrium in (*Y*,*r*)-space can now be described. The possibility of fiscal expansion crowding out investment is discussed. The chapter ends with a discussion of the strong and weak effects of monetary and fiscal policy.

5. Gordon, Chapter 5: Financial Markets, Financial Regulation, and Economic Stability, pp. 129-166.

Gordon introduces the concepts relevant to the housing bubble and financial market meltdown, including risk, leverage, and securitization. Balance sheets are introduced to contrast traditional banks with the "wild West" of finance in which loans are financed not from deposits but by borrowing. The post-2001 housing bubble is compared with the stock-market bubble of 1927-1929 that led to the Great Depression.

6. Gordon, Chapter 6: The Government Budget, the Government Debt, and the Limitations of Fiscal Policy, pp. 167-200.

Gordon begins with a discussion of the pervasive effects of a government budget deficit. He distinguishes between the structural and cyclical components of the budget deficit and discusses the automatic stabilization that has been built into the cyclical component as well as the impact of discretionary fiscal policy on the structural component. He introduces the basic concepts of government debt and examines the historical behavior of the debt-GDP ratio.

7. Gordon, Chapter 7: International Trade, Exchange Rates, and Macroeconomic Policy, pp. 201-242.

Gordon introduces the basics of the balance of payments, the current account and the capital account. Foreign exchange rates are discussed and their relationship to the domestic interest rate is analyzed. The ramifications of the two main exchange rate regimes, fixed and flexible, for monetary and fiscal policy are discussed in the cases of perfect and imperfect capital mobility.

8. Gordon, Chapter 8: Aggregate Demand, Aggregate Supply, and the Great Depression, pp. 243-277.

Gordon allows prices to vary for the first time so that aggregate supply and demand curves for the modern macroeconomy can be defined. The determination of wage rates in the labor market is explained. Finally, the discussion turns to the contributions of the Keynesian Revolution in explaining the failure of self-correction during prolonged depression.