

ECONOMICS 308: INTERMEDIATE MACROECONOMICS
BUFFALO STATE COLLEGE
Spring 2016

Instructor: Dr. Ted Schmidt

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Office: Classroom B217

Hours: TR Noon-1:00 pm; R 5:30-6 pm;

or by appointment

Required Text: Dornbusch, Fischer, and Startz. Macroeconomics, 10th or 11th edition McGraw-Hill/Irwin (Note, these are not the most recent additions.)

Learning Outcomes:

1. Develop a deeper understanding of macroeconomics.
2. Prepare you for more advanced study in economics.
3. Develop an understanding of alternative approaches to macroeconomics.
4. Further develop your ability to use economic theories to critically assess alternative macroeconomic policies.
5. Improve your ability to express economic opinions and analysis in writing.

“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”

- Joan Robinson (Economics and The Public Purpose, 1973)

Evaluation: Grades will be determined based upon the following:

Midterm Exam	30%	97-100 A+
Final Exam	30%	93-96 A
Quizzes	10%	90-92 A-
Writing Assignment(s)	30%	87-89 B+
		Etc.

Quizzes: There will be 2 in-class quizzes on the material related to the midterm.

Attendance. I will consider your attendance in your overall grade. If I know you have attended at least 90% of the classes, and you are 1-1.5 points from a higher grade, then your attendance can boost you to the higher grade. **Most people who fail my class do so because they miss too many classes.**

Writing Assignments (this course is designated as writing intensive).

You will have three short (1-2 pages) writing assignments related to material presented after the midterm. Papers will be graded on content and grammar (50% each). These assignments will be given out approximately every two weeks after the midterm. **YOU MUST COMPLETE ALL THREE ASSIGNMENTS. FAILURE TO TURN IN ANY ONE ASSIGNMENT WILL RESULT IN A ZERO GRADE FOR THE TOTAL.** Any papers turned in after the due date and time will lose 10% of the grade per day.

Midterm Exam: The midterm will focus on the main macroeconomic model discussed in section one, so it will consist of mathematical problem-solving questions and some essays with graphical explanation. In addition, there will be extra credit questions related to recent economic data (GDP, inflation, unemployment, etc.). The data can be found on most business/financial web sites, but the best way to keep track of new releases of economic data is this Bloomberg site:

<http://www.bloomberg.com/markets/economic-calendar/>

Final Exam: **The final exam will be somewhat comprehensive**, and it will consist of essay type questions.

Miscellaneous: I encourage all of you to ask questions, especially about current economic events you hear or read about during the semester. However, during the time that you are in this class, please stay focused. Keep all discussion on topic, and **turn off electronic equipment before class.**

Intermediate macroeconomics is not easy. If you are not doing well, please **DO NOT** wait until the last few weeks to try and overcome a poor start. **Evidence suggests that people who form and work in study groups out-perform those who study alone.** Get to know your classmates and form study groups. Again, the majority of students who fail this course do so because they miss too many classes.

Academic Integrity: students caught cheating or plagiarizing will be given an E for the course.

Holidays: There are no classes on February 15th and 16th; and spring break is March 21-25th.

Course Outline

(Note: chapter numbers listed are from 10th edition)

Section I: The Basic Macro Model

Weeks 1-2:

Introduction: Economic crisis and crisis in economics

- DFS, chapter 1.
- “How did economists get it so wrong?” Paul Krugman,
<http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html>
- “Wall Street Shorts Economists.” Mark Buchanan, Bloomberg.com
<http://www.bloomberg.com/news/2014-01-21/wall-street-shorts-economists.html>

Economic Statistics: GDP, Inflation and Unemployment

- DFS, chapter 2.
- http://www.bea.gov/national/pdf/nipa_primer.pdf
- [The Basics of Macro Accounting](http://www.neweconomicsperspectives.org), L.R. Wray,
NewEconomicsPerspectives.org

Weeks 2-6:

The Basic Keynesian Cross Macro Model (Review)

- DFS, chapters 9

The IS-LM General Equilibrium Model

- DFS, chapters 10-12.

--- Midterm Exam Week 6 ----

Section II

Weeks 6 – 12: Examining the Short-run Mainstream Model

1. The LM Curve: *Can the Fed Control the money supply?**

- DFS Chapters 15 – 18
- “Banking in a Capitalist Economy,” Chapter 10, *Stabilizing an Unstable Economy*. Hyman Minsky, 1986.
- <http://www.nakedcapitalism.com/2012/04/scott-fullwiler-krugmans-flashing-neon-sign.html>

Aggregate Demand = C+I+G+NX

2. Consumption Theory: *Are ALL consumers rational maximizers?*

- DFS chapter 13

- “Alternative Theories of Consumption and Savings,” T. Schmidt
- 3. Investment Spending and Instability: *What determines I and how does it influence economic growth?*
 - DFS chapter 14
 - “[The Finance-Investment Link](#),” S. Fazzari.
 - “Financial Commitments and Instability,” Chapter 9, *Stabilizing an Unstable Economy*. Hyman Minsky, 1986.
- 4. The Balance of Trade and Exchange Rates: *Will a decline in the value of the US dollar correct the US Balance of Trade deficit?**
 - DFS chapters 12 and 20
 - “[Why a dollar depreciation may not close the US trade deficit](#),” Goldberg and Dillon.
 - “[The benefits of the dollar’s decline](#),” J. Bivens.
- 5. Government Debt and Deficits: *Is government debt a burden on our grandchildren?**
 - DFS chapter 19.
 - “[Budget Deficits and Net Private Savings](#),” Heteconomist.
 - “[Is the Federal Debt Sustainable?](#)” JK Galbraith

Weeks 13 – 14: Inflation, Unemployment and Stagflation

- DFS, chapters 5-8
- “The Federal Reserve: Between a Rock and a Hard Place,” H. Minsky, in *Can IT Happen Again*
- H. Minsky, Chapter 11, “Inflation,” in *Stabilizing an Unstable Economy*.

Week 15: A Summing Up: Financial Crises

- “[The Shadow Banking System and Hyman Minsky’s Economic Journey](#),” P. McCulley.
- “Deleveraging with a Twist,” Steven Keen’s Debtwatch (Blog), 9/20/2010
<http://www.debtdeflation.com/blogs/wp-content/uploads/2010/09/DeleveragingWithTwist.pdf>
- Irving Fisher’s “Debt-Deflation Theory of Depressions.”
<http://fraser.stlouisfed.org/docs/meltzer/fisdeb33.pdf>

----- **Final Exam: Thursday 5/12 9:40-11:30 pm** -----