

INTERMEDIATE MACROECONOMICS

MW 3:30 – 5:20

SMI 205

Instructor: Michelle Turnovsky (mturn@uw.edu) Savery 354

Office Hours: TBA
By appointment (additional hours will be posted before exams)

Course Web Page: Check regularly for announcement at
<http://www.econ.washington.edu/instruction/courses/classpage.asp?class=3489>

Course Overview: This course develops the tools of modern macroeconomic theory in the context of the global economy and explains the determination of aggregate output; of employment and prices; the tools of monetary and fiscal policy used by governments to fight inflation and unemployment and to promote growth in the economy. The purpose of this course is to explain macroeconomic theory and also to use it as a framework for discussing the current state of the US and world economy and for analyzing recent economic policy issues.

Learning Objectives for Econ 301:

- Understand the importance of microeconomics as a foundation for macroeconomics
- Understand how aggregate economic activity is measured at the level of a nation
- Understand how basic models of the economy summarize and explain the interactions between these main macroeconomic measures, output, employment, and inflation
- Understand what causes economic activity to fluctuate over the years, from recessions to full employment and back
- Understand the role of government in trying to smooth out these fluctuations
- Understand the links between the domestic economy and the rest of the world
- Understand the differences between adjustment in the short run and adjustment in the long run
- Understand the insights conveyed by the various schools of thought –Keynesian economics with sticky prices, classical economics with flexible prices, and various syntheses of the two
- Understand how the economy grows in the very long run through capital accumulation and technological progress
- Understand specific concepts like dynamics and expectations

Textbook: Olivier Blanchard, *Macroeconomics*, Pearson Custom Publishing Second Custom edition for Econ 301A (\$100)

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Course Outline:

Introduction

Ch 1 and 2

The Short Run

The goods market (ch 3)

Financial markets (ch 4)

Goods and financial markets: the IS-LM model (ch 5)

The Medium Run

The labor market (ch 6)

Putting all markets together: the AS-AD model (ch 7)

The Phillips curve (ch 8)

The Long Run

The facts of growth (ch 10)

Saving, capital accumulation and output (ch 11) *time permitting*

Technological progress and growth (ch 12) *time permitting*

Openness

Openness in goods and financial markets (ch 18)

The goods market in an open economy (ch 19)

Output, the interest rate, and the exchange rate (ch 20)

Exchange rates regimes (ch 21) *time permitting*

COURSE REQUIREMENTS

READINGS: In addition to the textbook chapters, further compulsory readings will be assigned. You are also advised to read the Economist (the Financial Times or the Wall Street Journal) where current economic issues are analyzed as they occur.

ASSIGNMENTS: There will be 5 assignments during the quarter (the questions will be assigned one week ahead). Completed assignments must be turned in at the beginning of the section. The grading will be based on the 4 best scores.

REVIEW PROBLEMS: Review problems are assigned before each exam and explained prior to the exam. They are not handed in by the students nor corrected.

EXAMS: There will be 3 non-comprehensive exams. Each of the exams will consist in multiple choice questions, problems, and analytical questions.

Dates: TBA

GRADE: The following weighting will be applied:

Assignments: 10% (2.5% each)

Exams: 90% (30% each)

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MHT NOTES AND POWERPOINT SLIDES: Packets including summary notes for each chapter and unfinished powerpoint slides will be available regularly from the course protected web page. The slides will provide the framework for each lecture – students will be able to write in their own class notes as the lecture evolves.

REMARK: If you have any difficulty with the material (or any problem), feel free to see your instructor during office hours or by appointment as soon as possible because the material covered in this course becomes more complex overtime and is based on your overall understanding from week to week. It is thus essential to do the reading assigned in the textbook on a regular basis and to work out the practice problems. **Tutoring by the upper class EUB students will be available at regular hours (to be posted) in Condon 210.**

PREREQUISITES: The prerequisite for ECON 301, Intermediate Macroeconomics, is **ECON 300** and the prerequisites for ECON 300, Intermediate Microeconomics, are MATH 112 or MATH 124, and both ECON 200 and ECON 201. Students must **NOT** take ECON 300 and ECON 301 **CONCURRENTLY** as some of the theory developed at the beginning of ECON 301 is based on theory taught at a later stage in ECON 300.

CLASS POLICIES:

Exam Absence Policy

If you are unable to make it to an exam period due to illness or another serious happening, do the following:

1. Contact your instructor (mturn@u.washington.edu) **the same day** to notify her that you are not able to take the exam and why.
2. Your instructor will then set a date for a make up, contingent on the test taking person showing **as soon as possible** a valid medical note issued by a medical professional, on the original exam date. There is no flexibility on this matter.
3. If there was some other reason for missing the exam (car accident, meteor shower etc.) come and see me to explain these reasons – I would also need proper documentation. Not waking up or missing your bus/plane is **not** an acceptable excuse.

These rules are strictly applied.

Exam Rules

All books, papers, notebooks must be placed inside bags and bags must be closed.

If you don't have a bag, put our stuff on the staircase against the wall or on the window sills

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Only keep **basic** calculators and writing tools out.

Answer all questions directly on exam itself.

Show all your calculations for partial credit.

Use back blank page of exam for scrap if needed.

You are expected not to leave the room during the exam.

Homework Policy

1. Please, write your whole name: **first name first and last name last on the upper right hand corner of the assignment**
2. Write your section number below (**if relevant**):
3. Write all your answers **ON THE HOMEWORK SHEETS** that you have downloaded – answers on a separate piece of paper will NOT be corrected nor graded.
4. **Staple** all the sheets in the correct order.
5. **DO NOT COPY** the answers from each other – this can easily be detected when the same mistakes appear and the same sentences are written! Indeed you are allowed and even encouraged to work together, but you must part from each other and write you answers alone. Don't forget to show your intermediate calculations.

THE GRADER WILL TAKE POINTS IF YOU DO NOT FOLLOW THE ABOVE RULES. 5 points for each infraction

Thank you and good luck on the next assignment!

**TO ENSURE PROPER UNDERSTANDING OF THE MATERIAL COVERED IN CLASS,
PREREQUISITES MUST BE RESPECTED.**