

**Economics 322**  
**Intermediate Macroeconomic Theory**  
**Indiana University-Purdue University Fort Wayne**  
**Spring Semester, 2005**

Dr. Carolyn Fabian Stumph  
Neff 340F  
481-6475  
fax: 481-6879  
email: stumphc@ipfw.edu

Office Hours: M and W 10:30 am to noon  
and by appointment

**Text: Mankiw, Macroeconomics, 5<sup>th</sup> edition, 2003.**

**Course Description:**

Macroeconomics is the study of the economy as a whole and is concerned with some of the most important questions in economics. Why are some countries rich while others are poor? Why do some economies grow faster than others? Why is there unemployment in “free market” economies? What are the sources of rapid inflation? What causes the value of the dollar to fluctuate in international currency markets? What causes business cycles? How do the policy choices of government affect output, wages and employment? These questions are the main focus of macroeconomics and economists use a variety of models in order to answer them.

**Course Objectives:**

By the end of this course, you should be able to:

- explain how to measure economic activity and how to evaluate economic performance.
- understand what determines wages paid to workers and rents paid to owners of capital.
- use the Solow growth model to discuss the reasons for long term improvements in the standard of living.
- decide if we can successfully encourage economic growth through collective action.
- use the quantity theory of money to explain inflation.
- understand the equilibrium rate of unemployment and what influences unemployment in the long run.
- explain the forces that cause changes in the value of the dollar in the foreign exchange market.
- analyze the short run fluctuations of the economy using models of aggregate demand (IS-LM) and aggregate supply (the labor market and sticky prices).
- decide if monetary and fiscal policy should be used actively by policymakers or if policymakers should simply remain passive.
- present a well-reasoned view of the costs and benefits of a balanced federal budget.

**Grading:**

You will be evaluated in a variety of ways over the semester. The combination of the writing assignment, two midterms, class participation and a comprehensive final exam should allow each student to demonstrate his or her understanding of macroeconomics in many different dimensions. Please note the dates of the writing assignment and exams. A make-up exam will be given only in the case of *documented* illness or emergency and **ONLY IF YOU HAVE CONTACTED ME BEFORE THE REGULARLY SCHEDULED EXAM TIME. There are no exceptions.**

Wednesday, February 9	Midterm Exam #1	20%
Wednesday, March 23	Midterm Exam #2	20%
Monday, April 4	Research Project and Presentation*	20%
Monday, May 2, 8-10 am	Comprehensive final exam	30%
	Class participation	10%

\*presentations to be held at the Student Research Symposium on April 9<sup>th</sup>. Class will not meet on Wednesday, April 6.

**Attendance:**

Class attendance is important. If your final course grade turns out to be on the margin between two letter grades, I reserve the right to bump your grade up or down based on your attendance and improvement throughout the semester.

**Course Outline:**

Date	Topic	Reading Assignment
January 10 and 12	Introduction	Chapters 1 and 2
January 19 and 24	National Income	Chapter 3
January 26 and 31	Money and Inflation	Chapter 4
February 2 and 7	The Open Economy	Chapter 5
<b>February 9</b>	<b>Midterm Exam #1</b>	<b>Chapters 1 through 5</b>
February 14 and 16	Unemployment	Chapter 6
February 21 and 23	Economic Growth I	Chapter 7
February 28 and March 2	Economic Growth II	Chapter 8
March 14 and 16	Economic Fluctuations	Chapter 9
March 21	Aggregate Demand I	Chapter 10
March 23	<b>Midterm Exam #2</b>	<b>Chapters 6 through 9</b>

**Course Outline (continued):**

<b>Date</b>	<b>Topic</b>	<b>Reading Assignment</b>
March 28 and 30	Aggregate Demand I and II	Chapters 10 and 11
April 4	AD in the Open Economy	Chapter 12
April 11 and 13	Open Economy and Aggregate Supply	Chapters 12 and 13
April 18 and 20	Stabilization Policy	Chapter 14
April 25 and 27	Government Debt	Chapter 15
<b>May 2</b>	<b>Final Exam</b>	<b>Chapters 1 through 15</b>

**Research Project/Presentation:**

The research projects will examine topics similar to those in the following list of current macroeconomic issues. You may choose from this list on a first come, first served basis or you may develop, with my prior approval, a topic of your own. Each student will prepare a 10 page (maximum) paper on a topic describing with relevant data the dimensions of the problem, explaining the potential causes of the phenomenon under study and examining the policy questions posed by the issue. Each student will also prepare a 10-minute presentation summarizing the research. The paper is due on Monday, April 4 and presentation will take place at the research conference on Saturday, April 9<sup>th</sup>.

More information on my expectations for this project will be forthcoming.

The list of suitable topics include:

1. The macroeconomic implications of the 2004 tsunami disaster.
2. What has happened to the inflation-unemployment tradeoff in the current U.S. business cycle?
3. The European unemployment crisis.
4. Will the European Union be good for Europe?
5. A comparison of the macroeconomic aspects of the economic transition in Poland and Hungary since 1990.
6. What explains the sustained poverty of \_\_\_\_\_?
7. What has happened to Japan Inc.?
8. The causes and consequences of the productivity “slowdown”.

9. Explain and critique the recent actions of the Fed using appropriate models.
10. Using empirical data, discuss whether or not the Philips Curve holds and why.