

**ECN 225, Issues and controversies in macroeconomics (Intermediate
Macroeconomics) Department of Economics and Finance, Fall 2018**

INSTRUCTOR AND COURSE INFORMATION

Instructor: **Dr. Andrea TERZI**

Office Hours: drop-in Monday and Thursday 15:45–17:00, or by appointment

Contact: 091.986.3632 (voice mail) – aterzi@fus.edu (subject field “ECN 225” gives you priority) Schedule: Mondays & Thursdays 11:30–12:45; FUS, Lowerre Academic Center, 6

COURSE DESCRIPTION

This course is designed to provide students with an appreciation of current economic issues and questions in modern and contemporary macroeconomics, through the recognition of economics as a controversial subject. In the first part, we review some important measurement issues that have policy consequences. In the second part, we explore the competing theoretical frameworks developed in the twentieth century to explain growth cycles, employment and inflation. Finally, we apply the acquired knowledge to the current policy issues in the long lasting aftermath of the Great Recession.

RATIONALE

This intermediate-level course in macroeconomics builds upon the introductory two-semester (ECN 100 and ECN 101) sequence and, in conjunction with ECN 256, prepares students to upper-level economics. It is a program requirement for the majors in International Banking and Finance and International Economics, as well as for Economics as a combined major. It is also one of the options towards Economics as a minor. Students must have taken ECN 100 and ECN 101. Students are warmly recommended to have taken MAT 200. It fulfils core requirements in the Area of Knowledge “International Engagement”.

COURSE GOALS

Critical thinking: Recognize and appreciate the diversity of views that have historically been expressed or may reasonably exist about macroeconomic issues; Articulate both sides of an argument, evaluate the quality of arguments, and evidence, and construct and defend the position taken. *Problem-solving:* Apply a given technique to new requests. *Communication:* Convey your ideas effectively in written, spoken, and graphical form; Utilize relevant data effectively in written and oral presentations. *Collaboration:* Provide and receive feedback, ideas, and instruction in a professional manner; Explain the impact of each team member (including oneself) on the collaborative project and the role each member plays. *Technology:* Make appropriate and effective use of information technology for research. *Business knowledge:* Recognize the relevance for business of modeling the macroeconomic environment. *Lifelong Learning:* Use a model approach to understand and evaluate new economic events. *Social Responsibility:* Compare and evaluate the arguments supporting various government policies.

SPECIFIC LEARNING OUTCOMES

Upon completion of this course, students should be able to:

- Describe the issues with alternative techniques for measuring macroeconomic events
 - Compare and evaluate the differences between macroeconomic theoretical models
 - Analyze the effectiveness of policy instruments within each theoretical model
 - Apply economic analysis to make critical evaluations of policy alternatives
 - Judge what policies you, as a member of society, will or will not support
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REQUIRED TEXTS AND MATERIALS

Course Reader, available on the Moodle platform. See Table of Contents on page 3 of this document. The *Moodle Course Page* offers additional resources, information, and updates pertaining this course. Students are responsible for checking this platform regularly.

ASSESSMENT OVERVIEW

Assessment is based on the following tasks:

- One 65-minute cumulative midterm examination: 30%
- Commitment to learning and contribution to learning of others: 10%
- Individual in-class assignments: 20%
- One cumulative 90-minute final examination: 40%

ASSESSMENT DETAILS

All exams are a mixture of problems, short answers, multiple choice and open-ended questions. Commitment to learning and contribution to learning of others include summarizing key points, enthusiasm in learning situations, contributing to or originating discussion, sharing real-world examples or experiences, eliciting input, opinions, and participation of others. Students will also demonstrate commitment by answering instructor's questions about the texts read for class, engaging in group-work assignments, discussing assigned topics, and contributing during the class debate sessions.

GRADING POLICIES AND EXPECTATIONS

At the end of the semester, you will receive a score from 0 to 100%. Your total points will be translate into a final letter grade (plus/minus when applicable) using the following scale: 90-100=A (exceeds expectations); 80-89=B (meets expectations); 70-79=C (partial achievement); 60-69=D (does not meet the goal); 0-59=F (no credit). d

HOW TO DO WELL IN THIS COURSE (POLICIES / REQUIREMENTS)

Active learning class: This is an active learning class where students gain first exposure to new material outside of class, via readings and videos available on the Moodle Course Page, and then class time is used to do the harder work of assimilating that knowledge through strategies such as problem-solving, discussion, applications, and debates.

Class behavior: On-time arrival, respect, courtesy, attentiveness, not leaving while class is in session without permission to be obtained before class begins, not using devices for personal reasons (be a focused contributor!).

Attendance: Learning is an active process. To succeed in this course you should be rather active both during class meetings and outside of class. Nonattendance lowers your score. Should you miss a class, you are responsible for any missed information. Extended absences may result in you being asked to withdraw from the class.

Scheduled reports and presentations: Once assigned, presentations cannot be postponed without documented evidence of a major disruption to your work.

Exam dates: All exam dates are binding. Please do not ask to take your exam at a different date than the one posted on this calendar. No make-up of exams can be given. A missed midterm exam will receive a grade of zero unless the student 1) makes every effort to notify the instructor prior to the exam to be missed by phone or email; and 2) provides formal documentation of a condition of illness or serious family emergency. When both conditions are met, the weight of the exam will be shifted to the final exam. There is no make-up of in-class assignments.

ACADEMIC INTEGRITY: STATEMENT ON CHEATING AND PLAGIARISM

A student whose actions are deemed by the University to be out of sympathy with the ideals, objectives or the spirit of good conduct as fostered by the University and Swiss community, may be placed on Disciplinary Probation or become subject to dismissal from the University.

Cheating is a dishonest action out of sympathy with the ideals, objectives and spirit of the University. Furthermore, cheating reflects negatively on one's personal integrity and is unjust to those students who have studied.

See the Academic Catalog for full statement (page 199): https://www.fus.edu/images/pdf/FUS_ACADEMIC_CATALOG_2018_2020_web.pdf

RESOURCES AVAILABLE

Writing and Learning Center: For all writing and learning support issues (time management, study skills, preparing for exams, reading and presentation skills, and all steps of the writing process from brainstorming a paper to outlining, editing to proofreading) schedule an appointment with a tutor by going to the website wlc.setmore.com. Drop-in assistance 10am-5pm (Fridays only 10am-3pm). Tutors can give you individual one-one-one support in all of these areas. For further inquiries, contact Ann Gardiner, WLC Director (agardiner@fus.edu) or Olivia Della Croce, WLC Assistant Director (odellacrocce@fus.edu).

Honors Society: This offers an added opportunity for students seeking to pursue their academic interests. The program is especially suitable for students contemplating graduate study after Franklin. Contact Professor Marcus Pyka (mpyka@fus.edu), LAC 12

Accessibility Services: If you have a disability and you would like to discuss the possibility of receiving accommodations, please write to accessibility.services@fus.edu to make an appointment with the Accessibilities Coordinator.

BIBLIOGRAPHY (TABLE OF CONTENTS OF THE COURSE READER)

- 1.1 Froyen (2013). Macroeconomics: Theories and Policies. 10th ed. Ch.1 and Ch.2.
- 1.2A Frajman (2016). Limitations of the GDP as a measure of progress and well-being. Econviews.
- 1.2B Van den Bergh - Antal (2014). Evaluating Alternatives to GDP as Measures of Social Welfare/Progress. WWW Europe, Working paper no 56.
- 1.3 Velde (2015). How do we measure inflation? Chicago Fed Letter. No 347.
- 1.4A Jahan-Mahmud (2013). What Is the Output Gap? Finance and Development, September.
- 1.4B Congressional Budget Office (U.S. Congress) (2004). A Summary of Alternative Methods for Estimating Potential GDP. March.
- 1.5A U.S. Bureau of Labor Statistics (2014). How the Government Measures Unemployment. Technical documentation. June.
- 1.5B BLS Note (s.d.). Alternative Measures of Unemployment and Labor Underutilization.
- 2.1 Colander (2017). Macroeconomics, 10th ed. Chapter 26.
- 2.2 Snowdon-Vane-Wynarczyk (2005). A Modern Guide to Macroeconomics (1994). Edward Elgar. Chapter 2 (pp.37-49).
- 2.3 Froyen (2013). Macroeconomics: Theories and Policies. 10th ed. Ch.5.
- 2.4 Miller-VanHoose (2004). Macroeconomics. Chapter 10 (pp.286-96).
- 3.1 Mishkin-Serletis (2011). Tactics: The Taylor rule. In The economics of money, banking, and financial markets.
- 3.2A Perry (2014). Debt and Deficits, Global Development and Environment Institute, Tufts University.
- 3.2B Buchanan (2012). Why we should never pay down the national debt. George Washington University Law School.
- 3.2C Godley et al. (2012), The U.S. Economy Is There a Way Out of the Woods?, The Levy Economics Institute of Bard College, November.
- 3.2D Terzi (2018). Monetary analysis with non-convertible currencies: Implications for fiscal policy.
- 3.3A Tcherneva (2018). The Job Guarantee: Design, Jobs, and Implementation. Levy WP 902.
- 3.3B Van Parijs (2004). Basic Income: A simple and powerful idea for the twenty-first century. Politics & Society.

COURSE SCHEDULE

Each topic is identified with a number corresponding to the assigned text(s) in the Course Reader.

AUG 27	Introduction to the course: Macroeconomic issues, theory, and policy
AUG 30	Part 1: Macroeconomic measurement issues 1.1 A review of GDP, price index, output gap, and unemployment rate
SEP 3	1.2 GDP as a measure of output
SEP 6	1.3 Alternative inflation measures
SEP 10	1.4 Estimating potential output and the output gap
SEP 13	1.5 Measures of unemployment
SEP 17	Part 2: Competing paradigms in macroeconomics 2.1 Modelling aggregate demand and supply
SEP 20	2.2 Classical macroeconomics – Modelling aggregate supply: Level
SEP 24	– Modelling aggregate supply: Composition
SEP 27	– Discussion
OCT 1	2.3 Keynesian macroeconomics – Modelling aggregate demand
OCT 4	– Modelling instability
OCT 8	– Fiscal stabilization policy
OCT 11	– Discussion
OCT 15	Midterm review
OCT 18	Midterm examination
NOV 5	2.4 Keynesian and Monetarist views of the Phillips curve
NOV 8	Part 3: What counter-cyclical policies? 3.1 Monetary stabilization policy
NOV 12	3.2 Fiscal policy – Government deficits and debt
NOV 15	– Fiscal battles
NOV 19	– The case for fiscal policy: Sectoral financial balances
NOV 22	– The case for fiscal policy: Sustainability
NOV 26	3.3 New proposals – The job guarantee program proposal
NOV 29	– Basic universal income
DEC 3	– Discussion
DEC 6	Final review
DEC 10	Final examination – 11:00