

ECONOMICS 3900 – Macroeconomics

Tuesday 7:15 – 9:45, CS105

Instructor: Neven T. Valev, Associate Professor of Economics
Phone: 404-413-0162 e-mail: nvalev@gsu.edu
Office: 539 AYSPS

Office Hours: Tuesdays 3:00-4:00 or any other time by appointment.

OBJECTIVES

In this class students will learn to use fundamental concepts and theories from macroeconomics to interpret and explain economic phenomena. The objective is not to delve into technicalities for their own sake but to reveal that macroeconomics is useful and can be fun. Therefore, the class will have a particular focus on applications. The goal is to use the concepts of macroeconomics to understand recent economic developments in the US and the world economy.

This is a **Critical Thinking through Writing** class. The CTW component of the class will consist of a research project and homework assignments.

READINGS

The textbook for the class is Greg Mankiw's Macroeconomics. You don't need the student guide. Older editions can be used. The instructor will assign the particular chapters/sections that will be covered in class. The instructor will also assign additional readings.

GRADES

Research project:	25
Midterm 1 (Feb 3):	20
Midterm 2 (March 17):	20
Final:	20
Homework:	10
Class participation:	5
Total:	100

The exams are based on the lecture material, assigned readings, and the research projects. The exams are a combination of multiple choice questions and short essay questions or problems. The class participation grade may include occasional quizzes.

To guarantee yourself a particular grade you must obtain the following percentages of the available points:

- An "A+" requires at least 96% of total points;
- an "A" requires at least 92% of total points;
- an "A-" requires at least 88% of total points;
- a "B+" requires at least 85% of total points;
- a "B" requires at least 82% of total points;
- a "B-" requires at least 78% of total points;
- a "C+" requires at least 75% of total points;

a “C” requires at least 72% of total points;
a “C-” requires at least 68% of total points;
a “D” requires at least 58% of total points;
less than 58% of points is fail.

Course grades will be determined strictly on the basis of cumulative points that you earn. **There will be no exceptions to this grading scheme (no extra credit, no ignoring test scores, no additional weight given for improvement).**

ATTENDANCE

The exams cover material discussed in class. Some of that material will not be from the book. Also, the class will provide ample opportunity to go over the material and to practice. Obtaining a high grade in the class will be very difficult without regular attendance. Furthermore, part of the grade comes from class participation. You cannot obtain a high grade on that if you are not present and active.

RESEARCH PROJECT

Students will select one of the topics listed below. The topic groups will be split into two subgroups. Each of the two subgroups will write a research note on one of the two projects and will comment on the research note of the other subgroup.

For example, if there are 6 students in the Commodity Prices group, 3 of them will write on the price of oil and the other 3 will write on the price of gold. Each subgroup will provide comments on the research by the other group.

Each subgroup receives a common grade (the same grade for each subgroup member). The project grade is computed as follows:

The 1 st draft of their paper:	30 points
The second draft of their paper:	60 points
The comments provided to the other subgroup:	10 points

The projects are implemented in the following sequence:

- 1) Submit the 1st draft (in electronic form) to the instructor and the other subgroup 2 days before the paper is due.
- 2) Make a 15 minutes class presentation on the main points of the paper.
- 3) Make a 5 minutes presentation with comments on the paper of the other subgroup.
- 4) Submit the 2nd draft 10 days after the presentation.

Requirements for the paper

Each project asks students to explain a phenomenon using economic theory. The paper consists of three main parts:

- 1) Describe the phenomenon (about 2 pages, all text is double spaced, font 12).
- 2) Use economic theory to explain the phenomenon (about 4-5 pages).

- 3) Write a conclusion reiterating the main findings and stating whether economic theory was helpful in explaining the phenomenon (about 1-2 page).

The grading will be done according to the Grading Rubric later in the syllabus.

Use your textbook as reference for the economic theory but draw also on about 5 additional sources. Make a reference list for these sources. If you need to, provide up to 2 tables and up to 3 graphs at the end of the paper to support your argument. These pages are in addition to the text pages.

The presentation

Use Power Point with not more than 10 slides to summarize the main points. Leave details for the Q&A session.

Providing comments

Write 2 pages of comments giving constructive criticism and suggestions for improving the paper of the other subgroup. Focus first on structural improvements (missing pieces of information, too much information, lack of consistency and logic, lack of clarity, etc) and then on details (editing, formatting).

How to form groups

Send me an e-mail with your top three choices for a topic group by Thursday, January 8. The assignment to groups will be on a first come – first serve basis. I will randomly assign students who do not send me an e-mail.

Topic 1: Commodity prices (Jan 27)

Project # 1: Explain the large fluctuations in oil prices in the last 40 years.

Project # 2: Explain the large fluctuations in gold prices in the last 40 years.

Topic 2: Inflation (Feb 10)

Project # 1: Explain the increase in U.S. inflation in the early 1970's and the early 1990's and the sustained low inflation from the early 1990's to now.

Project # 2: Explain the recent hyperinflation in Zimbabwe.

Topic 3: Recession (Feb 17)

Project # 1: Explain the origins of the current U.S. recession.

Project # 2: Explain the origins of the Great Depression.

Topic 4: Monetary policy (Feb 24)

Project # 1: Liquidity trap: explain and give historical example.

Project # 2: Deflation: explain and give historical example.

Topic 5: Exchange rates (March 10)

Project # 1: Explain the declining value of the US dollar against the euro during the last few years.

Project # 2: Explain the sharp depreciation of the Argentine peso in 2001.

Topic 6: International linkages (March 24)

Project # 1: Explain why (and how) the U.S. economy is affected by developments in other economies.

Project # 2: Explain why (and how) the Brazilian economy is affected by developments in other economies.

Topic 7: Factors for economic growth (March 31)

Project # 1: Explain and provide evidence for the role of financial markets in economic development.

Project # 2: Explain and provide evidence for the role of the rule of law in economic development.

Topic 8: Economic growth case studies (April 7)

Project # 1: Explain the rapid economic growth of China in the last two decades.

Project # 2: Explain the slow economic growth of Switzerland in the last two decades.

Topic 9: Income convergence (April 21)

Project # 1: Explain the convergence in incomes among the member states of the European Union.

Project # 2: Explain the divergence in incomes among rich countries (e.g. the U.S. and European states) and poor countries in Africa.

**Econ 3900 Macroeconomics
Critical Thinking through Writing Rubric**

1. Identifying the issue(s)

Points	4	3	2	1
Grading Scale	Excellent	Good	Average	Poor
Identification	Clearly identifies the problem(s), question(s) or issue(s) Provides background for the problem(s), question(s) or issue(s)			
Comment				

2. Analytic

Points	4	3	2	1
Grading Scale	Excellent	Good	Average	Poor
Analytic	Applies economic concepts to the questions Develops logical arguments Draws substantiated conclusions Draws connections between economic concepts and real world applications			
Comment				

3. Communication and Structural organization

Points	4	3	2	1
Grading Scale	Excellent	Good	Average	Poor
Communication and Structural organization	Language clearly and effectively communicates ideas. Assignment is organized with an introduction, body, discussion, conclusion and reference section, if applicable. Grammar, syntax and other errors are minimal. Style is appropriate.			
Comment				

Excellent – no changes needed

Good – minor changes

Average – major changes

Poor – redo completely

Learning Outcomes for the course

1. The student should know how key macroeconomic variables like GDP and its components, unemployment, and inflation are defined and measured.
2. The student should know the determinants of the price level in the long-run and the role of money
3. The student should know the determinants of the exchange rate and the trade balance in open economies and how policy can affect these.
4. The student should be able to describe the determinants of the natural rate of unemployment
5. The student should understand various models of economic growth and be able to describe the model's implications for the rate of growth of per capita income and for convergence.
6. The student should know how income, interest rates, and other macro variables are interrelated.
7. The student should be able to understand and describe how Aggregate Demand and Aggregate Supply determine equilibrium price and output in the short-run and long-run.
8. The student should be able to understand and describe the concepts, tools, and implementation of fiscal policy, monetary policy, and trade policy; their limitations and relative advantages and disadvantages, and how they affect aggregate economic activity.
9. The student should be able to understand and describe the arguments pro and con for a policy of laissez-faire versus government activism in the management of macroeconomic policies.