

GEORGE MASON UNIVERSITY

SCHOOL OF PUBLIC POLICY

INVESTMENT AND THE MACRO ECONOMY (ITRN 503-004, Fall 2007: correct to 20 August 2007)

Professor: Andrew Hughes Hallett

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Office Hours: Monday 6pm-7pm, Tuesday 7pm-8pm, or otherwise by appointment

Class meetings: Tuesday 4.30pm in Room 335 (Arlington)

Recommended Texts:

1. "Macroeconomics" by Olivier Blanchard, Prentice Hall, 2005 (4th edition); Textbook website: www.prenhall.com/blanchard

2. "Principles of Macroeconomics" by N Gregory Mankiw, Worth Publishers, 2006 (6th edition). Available on line at Aplia.com.

* I shall lecture using material from both, but the practical exercises will come online together with the Mankiw text as part of the Aplia exercises (see below). There is no need to buy the Mankiw text: you can access it on line. The Blanchard text is necessary.

Aims

1. To understand the theory and practice of modern macroeconomic analysis
2. To understand the objectives and transmission of policy effects, and the constraints on them or trade-offs between them, in an open or closed economy.
3. To analyse the determinants of national output, wages, employment, prices and trade, and how government policies may influence those variables in an open or closed economy
4. To see the role of financial variables in this context

Level

Intermediate level course: some knowledge of the principles of economic analysis used.

Operation

35 hours made up of approximately 20 hours lectures and 15 hours of discussion work.

Assignments and assessed work: There will be 1 set assignment, and one term paper on a topic of your (guided) choice. There will also be a mid-term test and a cumulative final exam; and online exercise classes to be done in your own time. The final grade will be an aggregate of the marks obtained: 10% each from the assignment and mid-term, 20% each for the term paper and final exam; and 40% from online exercises done through Aplia. The final exam will be on December 11th at 4.30pm.

Course Description

Macroeconomics looks at the determinants of economic performance at the national level. It is the study of national economies and the government policies that affect them.

Questions that this course will address include:

- How do we measure economic performance and welfare?
- What determines a nation's standard of living and how that changes?
- What causes the cycles of boom and bust?
- What causes unemployment and what can we do about it?
- What can make prices rise?
- How should governments use their policy instruments to improve the economies performance?
- Why do savings matter?
- Can we correct trade and/or budget deficits?

Examples will be taken from the US economy and elsewhere. The analysis uses graphical methods and some light mathematics.

Course Outline:

Chapter references (approximately), B = Blanchard book; M = Mankiw (see Aplia list).

<u>Weeks</u>	<u>Chapter</u>	<u>Topic</u>	
1-2 (a review)	B3 B4 B6 B7	M10 M11 M16 M17	National output and equilibrium Financial markets, IS-LM Employment, Wages Putting it together (general equilibrium)
3-4 equilibrium outcomes	B8-9	M21,M22	The level of activity, unemployment, inflation
5-8 growth consumption investment	B10 B11 B12/13 B15 B16 B17	M13 M15 M14 M20	Growth models Savings, investment, output Technical progress, wages, employment Financial markets, expectations Consumption, investment Output (policy and expectations)
9-11 (open economy)	B18 B19 B20	M18 M19	Financial markets in open economies Goods markets Interest rates and exchange rates
12-14 (policy)	B24 B25 B26	M23	Should policy makers be restrained? Monetary policy and the Fed Taxes, spending and deficits Policy in an Open Economy

Please be aware that the two books do not provide a perfect match; hence the chapter references for the Mankiw book appear jumbled in order to cover the same material as Blanchard. I will use the case study examples from Mankiw to provide the background for the policy discussions throughout the course and the Blanchard book for the formal lecture material. The outline above therefore provides the order of business, but the timing and detail of what we cover may be adjusted as we go.

A Word on Grading: I set high standards, and expect on average about 30% of the class to get “A” or “A-” grades. In the past the median grade has been “B” or “B+” which I regard as good grades. “B-” reflects an acceptable performance; most students achieve at least that level or higher. Lower than that is disappointing, although very few reach that category. Grades are therefore earned, not an entitlement.

Online Exercises: The intended schedule

Week 1. (August 28)

Practice tests on Aplia: deadline Friday August 31 (but not all are graded)

Aplia graded problem sets: deadline, 10.00 pm, September 4.

Week 2 (September 4)

Aplia graded problem sets: deadline, 10.00pm September 11.

Week 3 (September 11)

Take home test handed out: deadline 10:00pm October 9

Aplia graded problem sets: deadline 10.00pm September 18

Week 4 (September 18)

Aplia graded problem sets: deadline 10.00pm September 25.

Week 5 (September 25)

Assignment: deadline 10.00pm October 30 “...title to be announced...”

Aplia grade problem sets: deadline 10.00pm October 2.

Week 6 (October 2)

Aplia graded problem sets: deadline 10.00pm October 9.

Week 7 (October 16, NO class on October 9)

Mid-Term Exam in class

Aplia graded problem sets: deadline 10.00pm October 16

Week 8 (October 23)

Aplia graded problem sets: deadline 10.00pm October 23

Week 9 (October 30)

Aplia graded problem sets: deadline 10.00pm October 30

Term Paper: deadline 10.00pm December 4.

Please inform me of your topic/title by November 13 at the latest.

Week 10 (November 6)

Aplia graded problem sets: deadline 10.00pm November 6

Week 11 (November 13)

Aplia graded problem sets: deadline 10.00pm November 13

Week 12 (November 20)

Aplia graded problem sets: deadline 10.00pm November 20

Week 13 (November 27)

Aplia graded problem sets: deadline 10:00pm November 27

Week 14 (December 4)

Aplia graded problem sets: deadline 10:00pm December 4.

Week 15 (December 10)

Officially a reading day, but an extra review class will be arranged for those who want it.

Aplia graded problem sets: deadline 10:00pm December 11

Week 16 (December 11)

Final exam at 4.30pm

Online Exercises at APLIA

Your access to the Mankiw textbook, along with problem sets, will be via [*Aplia*](#). The Aplia site requires a separate registration process. Here are the steps:

Your course key: **2BM9-TLXX-SJQD**

The course and exercises are under the title “Hughes Hallett, Mankiw Macro I”

First Time Aplia Users:

1. Connect to <http://econ.aplia.com>.
2. Complete the Configuration Test. You **must have JavaScript and Flash 6 or later** to use the site. If you don't, the configuration test will tell you and instructions will follow.
3. Return to the Sign In page and click “Register here”.
4. You will be prompted to enter your e-mail address and select a password.
5. You will then be asked to enter your course key (above).
6. You only need to register once. After the registration process is complete, you will not need to enter the course key again.
7. Before entering your course, you will be prompted for payment. There is a 21 day grace period for this course. If your payment has not been received by **09.16.07**, you will not be able to access the site until Aplia receives your payment. Please note that you will need to register for your course at least one hour prior to participating in any experiments.
8. You may have an Aplia Payment Code for this course. You will have the option to use this code (which you may have received bundled with a textbook or purchased at the bookstore) when you are prompted for payment. Please remember that once opened, payment codes are not refundable.

Returning Aplia Users:

1. Connect to <http://econ.aplia.com>.
2. Sign in using your usual e-mail address and password.
3. On your home page click the button “Enroll in a New Course”.
4. You will be asked to enter your course key (above).
5. Before entering your course, you will be prompted for payment. There is a 21 day grace period for this course. If your payment has not been received by **09.16.07**, you will not be able to access the site until Aplia receives your payment. Please note that you will need to register for your course at least one hour prior to participating in any experiment.
6. You may have an Aplia Payment Code for this course. You will have the option to use this code (which you may have received bundled with a textbook or purchased at the bookstore) when you are prompted for payment. Please remember that once opened, payment codes are not refundable.
7. If you want to switch between courses, use the [Switch Course] link at the top of the screen, or use the “My Account” tab, then click on “My Courses”.

If you have any questions about registering or using the Aplia website, please contact Aplia by clicking the Aplia Support link at the bottom of any Aplia page or by e-mailing support@aplia.com. You will receive a response in one business day.

Aplia assignments: Many assignments come in pairs of practice and graded problem sets. The practice sets give you immediate feedback about whether your answer is right or wrong and an explanation of the correct answer. They are not counted as part of your homework grade. Use them to check your understanding of the material. If you are confident, you can go directly to the graded problem set, and refer back to the practice set only if you want some additional help.

The graded problem sets have a firm due date. You can change your answers as many times as you like before the due date has passed. Once the due date has passed, the grade will be recorded and it will not be possible to change your answers or complete the assignment at this point. In other words, Aplia assignments must be completed by the due date. The software does not care whether you have an excuse or not. These assignments are posted weeks in advance. Do them early to avoid any emergencies preventing your completion before the due date. After the due date, you will be able to see the correct answers and the explanations for graded problems.

The cost of Aplia is **\$60 per student** for this class for the semester. You may register and use the website until **09.16.2007** without paying the fee. If you are considering dropping this course during the drop/add period, do not make a payment until you are sure. You will need to pay the full amount before the end of the grace period to continue using the site. You may pay online with a credit card or personal check, or you can mail a check or money order to the address provided on the Aplia site.

If you can afford only one item, Aplia or the textbook, register for Aplia. You can read the textbook during my office hours, or in the library, but you must register individually at the Aplia site to do the assignments, which will count for part of your grade.

Disabilities: if you need any special arrangements, please arrange to see me or contact the Disability Resource Center at 993-2474.

Other Policies:

Exams are not “open book” exams.

There is no “extra work” that can be done for “extra credit”.

Students are responsible for obtaining notes from other class members if they miss a class.

The GMU honour code will be enforced. To be more specific: If I can show that a student cheated on an exam, that student will receive a grade of “F”. This may lead to the student failing the course, resulting in dismissal from the university. In the case of foreign students, such a dismissal would result in the revocation of their visa.

