

**Economics 305**  
**Fall 2005**

**INTERMEDIATE MACROECONOMICS**  
Dept. of Economics, University of Southern California

**Mr. Nugent**

**Class Meeting:** T, Th 2-3:50

KAP 146

**Office Hours:** T, Th 10-12, 4-5: and by appointment

**Office:** KAP318C

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**Note: Every student must meet with the instructor in his office during the first six weeks of class. For announcements, check the website “totale.usc.edu” for this class on a regular basis. Details on access will be given in class.**

**This syllabus has been prepared on August 19. Circumstances may arise making it necessary to make adjustments to this syllabus during the course of the semester.**

**TA:** Engin Volkan

**Office:** KAP 363 #23

**Office Hours:** Monday 10-12, T 12-1 and by appointment

Tel: 740-3524 or 740-8335 Email: volkan@usc.edu

**Purpose of Course:** To introduce students to the basics of macroeconomic theory and how to apply it for forecasting, policy analysis and empirical testing. Emphasis on alternative theories and institutions and the implications thereof. As a theory class, much of the emphasis will be on deductive reasoning.

**Grading and Exams:**

Midterm Exam #1 Thursday September 29 (20%)

Midterm Exam #2 Thursday October 27 (20%)

Final Exam: Thursday Dec 8, 2-4 PM (25%)

4 best quiz or homework assignment scores out of 6 (28%)

Note approximate dates in the schedule of classes below

Class participation, and debates (7%)

**Grading Policy and Past Performance:** No curve is used; therefore, in principle, everyone can get “A” (but also everyone could get “F”). While occasionally a brilliant student may do well by only reading the book and some students with perfect attendance are unable to pass the course exams, experience has shown a very high correlation between performance and class attendance. Typically, with this format there will be a larger number of extreme scores (A’s and F’s) than with other formats and instructors. Hence, those who count on getting by with a “C” may find it more difficult than usual to do so.

**Exams and quizzes are non-cumulative and heavily weighted toward problems and graphs based on the graphical and algebraic analysis in the chapters.** The mid-term and final exams can be made up only on the basis of a serious illness, not simply a note saying you consulted a doctor on the day of the exam. Normally, the makeup exams are more difficult than the original

ones inasmuch as the student will have had more time to prepare, and there are no extra points for one's name as there will be on most exams. **There are no make-ups of quizzes.** Anyone knowing in advance of a necessary absence from a quiz or exam, e.g., because of an interscholastic competition, important job interview or a family funeral, may be able to arrange to **take the exam or quiz in advance if sufficient advance notice and the instructor's permission are given.**

**Disabilities:** Students requesting academic accommodations based on a disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure that this letter is delivered to me as early in the semester as possible. DSP is open M-F 8:30-5:00 and is located in Student Union 301 (phone (213) 740-0776).

**Debates:** Each student must participate on the pro or con side of one pre-announced debate on economic policy, of which there will be five or six, most of which will be held in April.

**Required Textbook:** Olivier Blanchard, *Macroeconomics*. 4th Edition (with Update) Prentice Hall Addison-Wesley, 2000 (AB).

**Recommended:** (Regular reading) *The Economist*. Also 2005 *Economic Report of the President Transmitted to the Congress, Annual Report of the Council of Economic Advisers*, Feb. 2005 (not available through the USC Bookstore but rather from the US Government Bookstore in downtown Los Angeles (5th and Flower) Tel: (213) 239-9844 website:

[http://www.access.gpo.gov/su\\_docs](http://www.access.gpo.gov/su_docs). Also available on the web at

<http://www.access.gpo.gov/eop/> or <http://www.whitehouse.gov/cea/pubs.html>

**Format:** The theoretical models developed in this course start with the extremely simple, with no claim to be realistic, but build up in complexity so as to be more realistic. The models used in this class may differ significantly from those used in Principles of Economics (Econ 205) here or elsewhere.

**Academic Integrity Warning:** Because of unfortunate recent experience at USC with actual or suspected violations of academic integrity, the Department of Economics and this instructor in particular will be vigilant for suspected violations and very strict in enforcement of sanctions including recommending dismissal from the university. For details on the rules and guidelines see SCAMPUS. As a result, it behooves every student to **avoid even the slightest suspicion by bringing no notes to exams, sitting far from other students and keeping your eyes strictly focused on your own exams.**

**Advice:** This course is a demanding one and should not be taken with too heavy a course load. Since it is a course that **builds up from simple models at the beginning of the course to more**

**complex ones later, it is extremely important not to get behind in assignments and study guide questions.** Also, if you are not up-to-date, you will not do well on the quizzes, and getting good scores on the quizzes is a major way to assure that you will get a good grade in this class.

In studying for quizzes and midterms it is recommended that you do **all the questions at the back of the chapters and review questions and answers on previous quizzes, midterms and sample questions.**

## **COURSE OUTLINE AND SCHEDULE**

### **I. INTRODUCTION**

**Student meetings with Instructor during the first 6 weeks**

1. Introduction to the course and to macroeconomics: Ch 1, 2
2. Measurement and Structure: Ch 2 and Appendix 1

### **II. CORE SHORT RUN**

3. The Goods Market Ch 3
4. Financial Markets Ch 4
5. Goods and Financial Combined IS-LM Ch 5

### **III. MEDIUM TERM FRAMEWORK**

6. Labor Market Ch 6
7. Goods, Financial and Labor Markets Combined AS-AD, Ch 7
8. Natural Rate and Phillips Curve Ch 8
9. Inflation, Output and Money Growth Ch 9

### **IV. LONG RUN ANALYSIS**

10. Growth Facts Ch 10
11. Saving, Capital Formation and Output Ch 11
12. Technological Change and Growth, Ch 12,13

### **V. EXTENDING THE BASIC MODEL**

13. Expectations Ch 14, 15
14. Expectations and Policy Ch 17

### **VI. THE OPEN ECONOMY**

15. Openness in Financial and Goods Markets Ch 18, 19
16. Exchange Rates Ch 20, 21

## **VII. PATHOLOGIES and BUSINESS CYCLES AND MACROECONOMIC POLICY**

- 17. Depression Ch 22
- 18. Inflation Ch 23

## **VIII. POLICY**

- 19. Policy Constraints and Politics Ch 24
- 20. Monetary and Fiscal Policy Ch 25, 26
- 21. Keynesian- Classical Rational Expectations

### **Tentative Schedule of Quizzes**

- 1. September 8 On Chapters 2-4 and Appendix 1**
- 2. September 20 Ch 5,6**
- 3. October 11 Ch 7-9**
- 4. October 20 Ch 10-13**
- 5. Nov 10 Ch 14-17**
- 6. Nov 22 Ch. 18-20**

**Last day to drop a class w/o a "W" Sept. 9**

**Last day to drop a class with a "W" Nov. 11**

**Mid November Debates**

**Last Class Dec. 1**

**Final Exam (Dec 8, 2-4 PM)**