

Course Syllabus

Course Information

ECO 3311

INTERMEDIATE MACROECONOMIC THEORY

Professor Contact Information

Professor L.J. Dumas

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Office Hours:

Tues 5:00P-6:00P

Wed 5:00P-6:00P

Course Pre-requisites, Co-requisites, and/or Other Restrictions

ECO 2301 and 2302 or instructor's permission.

Course Description

The functioning of the economy as a whole is analyzed from the point of view of competing macroeconomic theories. Greatest attention is given to the Keynesian and monetarist approaches, but alternative theory is also considered. Particular emphasis is placed on understanding the nature, genesis and measurement of unemployment and inflation. Issues of economic growth, distribution of income and wealth are also analyzed.

Student Learning Objectives/Outcomes

Learn how major macroeconomic variables, such as inflation, unemployment, and national output, are actually measured, and gain an appreciation for the limitations of these measures.

Understand differing theoretical perspectives on the impact of key macroeconomic variables such as interest rates, money supply, taxes, and government spending on inflation, unemployment, national output, and income distribution.

Learn to integrate theoretical knowledge to evaluate macroeconomic policy measures.

Analyze tradeoffs in the deployment of productive economic resources to alternative uses, and the implications of those tradeoffs for economic efficiency.

Required Textbooks and Materials

Macroeconomics: Theories, Policies and International Applications by Roger LeRoy Miller and David VanHoose (Cincinnati: South-Western Publishing Co, 2004), 3rd Edition)

The Overburdened Economy: Uncovering the Causes of Chronic Unemployment, Inflation and National Decline by Lloyd J. Dumas (Berkeley: University of California Press, 1986)
[Note: Since this book is out-of-print, bound photocopies will be available at the UTD Bookstore and Off Campus Books. There may also be used copies available].

Suggested Course Materials

None

Assignments & Academic Calendar (All readings required)

I. Issues in Macroeconomics: An Overview

The definition of the economy; the nature of economic analysis; microeconomics and macroeconomics; the essence of the macroeconomic problem; inflation; types of unemployment; the long and short run.

MILLER & VANHOOSE: Chapter 1, "The Macroeconomy"

DUMAS: Chapter 2, "The Macroeconomic Problem";

Chapter 3, "Rethinking Basic Economic Concepts"

II. The Deployment of Resources; The Distribution of Income

Macroeconomic tradeoffs and the production possibilities curve; the distribution of income and the Lorenz Curve; how government affects the distribution of income.

NOT IN TEXT

III. The Major Macroeconomic Variables

Measuring aggregate economic output; GNP vs. GDP; the components of GDP; real vs. nominal values; money value and economic value.

MILLER & VANHOOSE: Chapter 2, "How Do We Know How We're Doing? --- Measuring Macroeconomic Variables"

DUMAS: Chapter 3, "Rethinking Basic Economic Concepts", pp.41-4

Chapter 4, "Contributive, Neutral and Distractive Activity".

Dumas, L.J., "Money Value vs. Economic Value: Why Aggregate Economic Indicators Mislead" (on reserve in Library)

IV. Money and the Banking System

Definition of money; the supply of money vs. other financial assets; the Federal Reserve System; the Fed and the money supply.

MILLER & VANHOOSE: Chapter 14, "What Should Policy Makers Do? --- Objectives and Targets of Macroeconomic Policy", pp.411-418 only.

V. Monetarism and Classical Macroeconomic Theory

Classical theory of production and employment, the basic monetarist framework; "natural rate of unemployment".

MILLER & VANHOOSE: Chapter 3, "The Self-Adjusting Economy ---Classical Macroeconomic Theory: Employment, Output and Prices"

Chapter 4, "Classical Macroeconomic Theory: Interest Rates and Exchange Rates", pp.78-87 only

VI. Keynesian Theory

The consumption function; the marginal efficiency of investment; government purchases of goods and services; liquidity preference and determination of the interest rate; macroeconomic equilibrium; IS-LM analysis; Keynesian policy and the goal of full employment without inflation.

MILLER & VANHOOSE:

Chapter 6, "Business Cycles and Short Run Macroeconomics --- Essentials of the Keynesian System"

Chapter 8, "Do Central Banks Matter? ---Money in the Traditional Keynesian System"

Chapter 7, "Fiscal Policy --- What Can Government Spending and Taxation Policies Accomplish?".

VII. Comparing the Monetarist and Keynesian Approaches

Differences and similarities; ideological implications; discretionary policy vs. rules.

MILLER & VANHOOSE:

Chapter 10: "Is There a Tradeoff Between Unemployment and

Inflation? --- The Keynesian and Monetarist Views on Price and Output Determination”

Chapter 13: “What Can Policy Makers Accomplish? ---Rules vs. Discretion in Macroeconomic Policy”

VIII. Economic Growth

Measurement; determinants; growth vs. development; education, technology and growth.

MILLER & VANHOOSE: Chapter 5, “Utopia Just Beyond the Horizon or Future Shock? --- The Theory of Economic Growth”

IX. The Theory of Resource Diversion

A) The Theoretical Framework

DUMAS:

Chapter 6, "The Impact of Noncontributive Activity on Productive Competence,"

Chapter 7, "Productive Competence, Unemployment and Inflation"

Chapter 9, "The Theory of Resource Diversion"

B) Application and Policy

DUMAS:

Chapter 11, "Applying the Theory of Resource Diversion"

Chapter 12, "Designing a Program for Economic Revitalization"

Grading Policy

Grading is based on two in-class, closed book exams. Each exam counts 50% of the grade. There is no graded homework and no required papers. Since the exams are based heavily on the material discussed in class, it will be very difficult to perform well on the exams if class attendance is poor. There is no separate penalty for poor attendance.

Course & Instructor Policies

Make-up exams will be allowed in extra-ordinary and unavoidable situations only. The student is required to get prior approval from the Professor. Make-up exams will be in

oral format at the office of the Professor. The time will be determined by mutual consent. There will be no special assignments and there will be no extra credit for attendance.

Field Trip Policies Off-campus Instruction and Course Activities

Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm. Additional information is available from the office of the school dean.

Student Conduct & Discipline

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Board of Regents, The University of Texas System, Part 1, Chapter VI, Section 3*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

Academic Integrity

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see

general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

Email Use

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

Withdrawal from Class

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

Student Grievance Procedures

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

Incomplete Grade Policy

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete

grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of **F**.

Disability Services

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:
The University of Texas at Dallas, SU 22
PO Box 830688
Richardson, Texas 75083-0688
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

Religious Holy Days

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

These descriptions and timelines are subject to change at the discretion of the Professor.