

Course Syllabus

Course Information

ECO 3311

INTERMEDIATE MACROECONOMIC THEORY AND POLICY

Professor Contact Information

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Office Hours: Wednesday 4P-6P (or by appointment)

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 usefulness and 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 (August 22, 24)

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 (August 29, 31, September 7, 12)

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 (September 14, 21, 26, 28)

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)

EXAM #1: October 3

EXAM #2: October 5

IV. Money and the Banking System (October 10, 12)

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 the Classical Macroeconomic Model (October 17, 19, 24)

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. The Keynesian Macroeconomic Model (October 26,31, November 2, 7)

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 (November 9)

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 (November 14)

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: An Alternative Macroeconomic Model (Nov 16, 28,30)

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"

EXAM #3 (December 5)

EXAM #4 (December 7)

Grading Policy

Grading is based on four in-class, closed book exams. Each exam counts 25% 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.

Comet Creed

This creed was voted on by the UT Dallas student body in 2014. It is a standard that Comets choose to live by and encourage others to do the same:

“As a Comet, I pledge honesty, integrity, and service in all that I do.”

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University’s policies and procedures segment of the course syllabus.

Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.