# *Course Syllabus*

## Course Information

**ECO 3311**

**INTERMEDIATE MACROECONOMIC THEORY AND POLICY**

## Professor Contact Information

**Professor L.J. Dumas**
Office: GR3.218
Tel. 972-883-2010
ljdumas@utdallas

Office Hours: Monday/Wednesday 4:15P-5:15P (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

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: the financialization of the real economy.

**MILLER & VANHOOSE**: Chapter 1, "The Macroeconomy"

**DUMAS**: Chapter 2, "The Macroeconomic Problem";

Chapter 3, "Rethinking Basic Economic Concepts"

**Rana Foroohar**, Makers and Takers: The Rise of Finance and the Fall of American Business (Crown Business Publishers, 2016), pp.1-28.

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)

**EXAM #1: October 4**

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 the Classical Macroeconomic Model

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

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: 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 #2 (December 6)**

---

**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.

---