

THE GEORGE WASHINGTON UNIVERSITY
Department of Economics
Summer 2011 (July 6th – August 15th)

ECON 102 - Intermediate Macroeconomic Theory (53446) and
ECON 218 - Survey of Macroeconomics (53445)

Professor Joutz

MW 06:10PM - 08:20PM, [GOV 101](#)

Office Hours: M and W 4:00pm-5:00pm, after class, and by appointment

Contact Info: Monroe/Government Hall 2115 G Street NW #313

Phone: 202- 994-4899 [e-mail bmark@gwu.edu]

Course Description: This course will focus on understanding the movements of GDP, unemployment and inflation in the short run, the role of expectations in economic decision and policy making, and the determinants of economic growth. This will be accomplished by constructing simple macroeconomic models which attempt to explain real world phenomenon. Data, primarily from the United States, will be used to illustrate simple relationships. Long run relationships, policy issues, and the interdependence of the domestic economy with the rest of the world will be discussed.

Required Textbook: *Macroeconomics 6th edition*, written by Olivier Blanchard, Prentice-Hall.

Recommended Textbook: *Study Guide for Macroeconomics*, written by David W. Findlay, Prentice-Hall.

Grading: This is a summer school class with 12 meeting times. I think it is best for you to have several opportunities to earn your grades. Your grade will be based on possible 100 points: problem sets 30 points, quizzes 30 points, final 40 points.

There will be 5 problem sets; they will be worth 7.5 points each toward your final grade. Problem sets account for 30 points of your final grade. They are due on Mondays and will not be accepted late. If you miss class, e-mail it as a pdf file or fax it to (202) 994-6147. Your four highest scores from the problem sets will count toward your final grade. You may miss one problem set or drop your lowest score.

There will be a short quiz every Wednesday at the start of class. Do not be late. Each quiz will be worth 7.5 points. Your four highest scores from the short quizzes will count toward your final grade. You may miss one quiz or drop your lowest score. The total points on quizzes you can earn are 30 points toward your final grade.

The final exam is worth 40 points.

A make-up quiz or test is only offered in the case of documented family or medical emergencies. Grades are made on a curve and based on a weighted score of the total possible points. You will receive problem sets approximately one week in advance.

Students registered for ECON 218 are required to write two short current events papers. The papers will be 2-3 pages maximum. You will summarize the concepts in current events article(s) using the economic theories and or models discussed in class. I have provided examples of the problem sets from last year as an example. You will receive more information later.

Additional Comments: The study of economics is a cumulative one. The pace will be rapid. You will be expected to have read the material relevant to each lecture. Do not save it for the last minute, because it is too much to absorb. If you are unsure, do not hesitate to ask me about your reading assignments. There are three ways to develop and analyze an economic issue. They are: an intuitive explanation, graphical, and mathematical. You can firmly understand an issue by trying to explain it using the three tools.

Additional Comments: My teaching style is to provide a review of the theory in the book and then ask applied problems. Studying in pairs or groups is highly encouraged. Frequently having to explain a theoretical point to a peer or to discuss an issue with one is the best way to learn the material. In addition, you can benefit from meeting people and making friends.

We will be using the Blackboard system in the course. It will be used to disseminate lecture notes, problem sets, pose questions in discussion groups, and communicate via e-mail. All students are expected to log into the course site.

Any student who feels s/he may need an accommodation based on the impact of a disability should contact Disability Support Services, Marvin Center 242, 994-8250, to have the disability documented and reasonable accommodations coordinated. Please do so immediately.

Rough Course Outline - The outline is very optimistic. We will attempt to cover material in each of the chapters below.

Class	Description – chapters, quiz, problem set
W 7/6	Ch. 1 A Tour of the World Ch. 2 A Tour of the Book and the National Income and Product Accounts
M 7/11 Quiz 1	Ch. 3 The Goods Market Ch. 4 Financial Markets
W 7/13 PS 1	Ch. 5 Goods and Financial Markets: The IS-LM
M 7/18 Quiz 2	Ch. 6 The Labor Market Ch. 7 Putting All Markets Together
W 7/20 PS 2	Ch. 8 The Natural Rate of Unemployment and the Phillips Curve
M 7/25 Quiz 3	Ch. 9 Inflation, Activity, Money Growth Ch. 14 Expectations: The Basic Tools
W 7/27 PS 3	Ch. 14 Expectations: The Basic Tools Ch. 15 Financial Markets and Expectations
M 8/1 Quiz 4	Ch. 16 Expectations: Consumption and Investment Ch. 17 Expectations, Output and Policy
W 8/3 PS 4	Ch. 18 Openness in Goods and Financial Markets Ch. 19 The Goods Market in an Open Economy Ch. 20 Output, the Interest Rate, and the Exchange Rate
M 8/8 Quiz 5	Ch. 21 Exchange Rates: Adjustments, Crises and Regimes Ch. 24 Should Policy Makers be Restrained
W 8/10 PS 5	Ch. 25 Monetary Policy Ch. 26 Fiscal Policy
M 8/15	Final Test

THE GEORGE WASHINGTON UNIVERSITY
Department of Economics

ECON 218 – Survey of Macroeconomics **EXAMPLE**

Monetary Policy and Beige Book Assignment

This assignment is for students registered in ECON 218, but ECON 102 students can try it as well. There is no extra credit though. The assignment has two parts.

1. We have reviewed the role of interest rate sensitivity on the IS and LM curves respectively. William Poole in his classic article of 1971 reviewed their impacts on the choices for monetary and fiscal policy. In addition, he dealt with the issue of (relative) uncertainty. That is for a given economy which market was the most volatile or subject to fluctuations.

a. Begin with an economy which has relatively more uncertainty in the financial market. Illustrate the situation in an IS-LM diagram. Make replica of the diagram. Compare the effect of two different monetary policies: a constant money supply target versus an interest rate target.

b. In the first IS-LM diagram what happens when there is an expansion in the demand for goods (an increase in consumer confidence, managers of firms confidence, or expansionary fiscal policy)? Explain intuitively what happens to the equilibrium outcomes under the two policies.

c. In the second IS-LM diagram illustrate the opposite situation, a decline in demand. Explain intuitively what happens to the equilibrium outcomes under the two policies.

d. Is one policy more variable than the other? Which do you feel is the appropriate one and why?

(Hint: Look at the first section of his paper on monetary policy under uncertainty.

[Rules-of-Thumb for Guiding Monetary Policy](#) pp. 447-498 (PDF 851k) by William Poole)

2. Congratulations,

The President of your Regional/District Federal Reserve Bank has asked you to accompany her to the upcoming FOMC meeting in Washington, DC. You have been asked to prepare a presentation describing how your region is performing relative to the nation and what the outlook is. The format of your presentation is a maximum of three typewritten pages. Appendices do not count toward the page limitation and may include tables and figures.

You are free to select the Federal Reserve Region/District of your choice and may work with another student. In fact it is strongly encouraged. The assignment is due on **Friday**,

August 1st. You may send me a draft of your presentation or ask questions. The assignment can be submitted electronically or put my mailbox in the Dept of Economics Office Monroe government Hall 340.

The current Beige Book can be found at
<http://stlouisfed.org/default.cfm>

A map showing the different Regions of the System can be found at
<http://www.federalreserve.gov/otherfrb.htm>

Begin with a simple summary, perhaps in table format, describing the economic situation in your region. A sample table is provided below. The standard headings for the different aspects of the economy are given below. Compare your region to the nation as a whole in the report. You may use a combination of words and symbols (+,0,- for above, same as, below) and (↑,Δ=0, and ↓ for increasing, no change, or slowing/falling.)

After completing the summary, draw an IS-LM – AD-AS graph for your region based upon your conclusion(s) about whether your District is above, below, or at its natural rate of output, unemployment. What is the relationship between wages, expected prices, and actual prices?

Feel free to use other sources about the economy in your region or nationally.

Beige Book Assignment
Federal Reserve District X : Economic Situation

	District	The Nation
Consumer Spending and Tourism		
Business Spending and Hiring		
Construction and Real Estate		
Manufacturing		
Banking and Finance		
Prices and Labor Costs		
Energy and Natural Resources		
Agriculture		
Aggregate Assessment		

THE GEORGE WASHINGTON UNIVERSITY
Department of Economics

ECON 218 – Survey of Macroeconomics **Assignment 2** EXAMPLE

Due Saturday August 16th, 5pm. You can e-mail assignment in a pdf document and or a spreadsheet with the graphs. You may work together. However, if you do, only turn in one copy of the assignment with your names on it. Please include your name or initials on the files you submit. Please contact me with any questions.

There is one *.xls files with quarterly data from 1980q1-2008q. It contains the standardized unemployment rate data for Australia, Canada, and France. The other file contains nominal and chain-weighted volumes of Gross Domestic Product by these countries respectively.

Select one of the three countries.

1. Calculate the following:
 - a. GDP Deflator from the current prices and chained volume estimates.
 - b. Calculate the real GDP growth rate on a 4 quarter annual basis.
 - c. Calculate the inflation rate on a 4 quarter annual basis.
 - d. Calculate the change in the inflation rate, the acceleration of inflation.
 - e. Calculate the change in the unemployment rate.
 - f. Calculate the average, standard deviation, maximum, and minimum of the average growth rate of real GDP, unemployment rate, and the inflation rate.

Enter in a Table as

Summary Statistics for “X” from 1980q1-2008q1 Growth Rates are calculated on an Annual Basis			
	Real GDP Growth	Inflation Rate	Unemployment Rate
Average			
Standard Deviation			
Maximum			
Minimum			

- g. Assume that the average real GDP growth rate and the average unemployment rate are the respective natural rates for the two series. Construct the deviation of actual GDP growth rate from the “estimated” natural GDP growth rate. And the deviation of the unemployment rate from its’ “estimated” natural rate.
2. Make figures of the real GDP growth rate, the inflation rate, and the unemployment rate. (You may include the “estimated” natural rates in the relevant graphs.) Briefly describe what you observe in the figures and use the information from the summary statistics in 1.f.
 3. Okun’s Law suggests there is a relationship between the change in the unemployment rate and the deviation of real GDP growth from its’ natural rate. What is the correlation between these two measures? Plot the series against each other in a scatter plot. Does it appear that Okun’s Law may exist for your country? The numbers do not have to be exact.
 4. The Expectations Augmented Phillip’s Curve suggests there is a relationship between the change in the inflation rate and the deviation of the unemployment rate from its’ natural rate. (Assume that expected inflation is equal to last period’s inflation rate. Plot the series against each other in a scatter plot. Does it appear that a Expectations Augmented Phillip’s Curve may exist for your country? The numbers do not have to be exact.