



**University of International Business and Economics  
International Summer School**

**ECON 302 Intermediate Macroeconomics**

**Term: May 29 – June 29, 2017**

**Instructor: Kevin H. Zhang**

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**Class Hours: Monday through Thursday, 120 minutes each day**

**Office Hours: TBA**

**Teaching Assistant: TBD**

**Email: TBD**

**Discussion session: 2 hours each week**

**Total Contact Hours: 64 contact hours (45 minutes each, 48 hours in total)**

**Credit: 4 units**

**Required Textbook**

N. Gregory Mankiw, *Macroeconomics*, the 9<sup>th</sup> edition, Macmillan Learning, USA 2016 (older editions such as 8<sup>th</sup> and 7<sup>th</sup> editions are also acceptable).

**Course Description and Objectives**

The primary goal of this course is to help you develop a consistent way of thinking about some key macroeconomic phenomena. In particular, we will try to address the following type of questions:

- ✧ What drives economic growth? What explains the large differences in economic performance across different countries of different times? What is the role of policy in economic growth?
- ✧ What are the determinants of consumption and saving? How do they matter for both the long run and the short run?
- ✧ Why are people unemployed? What should the government do about unemployment?
- ✧ Why does macroeconomic activity fluctuate? How do different shocks and policies affect employment, output, investment and consumption over the business cycle?
- ✧ Should the government try to stabilize the economy against business-cycle fluctuations, and how? Is it better to restrict what the government can do even if it is fully benevolent, or should we give full discretion to the government?



We will shed light on all the above questions. However, do not expect a simple answer to any of these questions—there is no simple answer! Rather, what you should aim for is to develop a framework for studying these questions, along with some empirical guidance. We will review some of the key lessons research in macroeconomics has reached over the years—lessons that will help

you understand why certain policy questions remain the topic of hot debate in both the academic and the political arena.

### Teaching Approach of the Course

- ✧ Stress the basic principles of economics
- ✧ Avoid nonessential material
- ✧ Explain difficult concepts patiently
- ✧ Use concrete examples

### Course Grades

**Your grades are based on a total of 450 points, which are acquired as follows:**

3 Exams	= 300 points total and 100 points for each exam.
3 Homework Sets	= 150 points total and 50 points for each.
Attendance	= 50 points total and 3 point for each class
<b>Total</b>	<b>= 500</b>

Grades are based completely on the work listed above. NO extra credit work is given under any circumstances. The scale for semester grades is as follows:

- A 90-100
- A- 85-89
- B+ 82-84
- B 78-81
- B- 75-77
- C+ 72-74
- C 68-71
- C- 64-67
- D 60-63
- F below 60

**Exams:** Three exams are non-comprehensive and each exam consists of 5-6 essay questions. Please note that NO MAKE-UP EXAMS WILL BE GIVEN.

**Home work:** Three homework sets are distributed during the course in order to give you practice working with the concepts introduced in the class and also to prepare you for the exams. Homework serves as a sample exam in the sense that their questions are similar to those of exams in topics, difficulty degree, and number of questions. The failure to try all questions is viewed as an indication of lack of effort, besides costing you the points you could have earned on the homework.



## Grading Policies

- (1) If you miss an exam without an excused absence, you will receive a zero on it. No make-up exams are given.
- (2) If an illness or some emergency prevents you from attending class, or taking one of exams, please try to discuss this with me **before** the class and the exam. Documentation (notification from doctor, for instance) *may be* required. If you don't contact me until after the exam, documentation *will be* required. If you are excused from one exam, then other exam will be worth 150 points (rather than 100 points) for each. Similar policy applies for homework. You also will not lose 4 points for attendance if you contact me before the class.
- (3) **Late homework will not be accepted** because the answer key is distributed on the due day.
- (4) Anyone caught cheating on any exam or quiz will receive an "F" in the class and will have their case referred to the Student Judicial Office for additional disciplinary action.

### Studying Macroeconomics

Many students perceive macroeconomics as being a very difficult, if not impossible, course to master. However, this perception is, in all likelihood, based on observations of the experiences of other students who did not apply the proper approach to learning macroeconomics. In many courses, simple memorization is enough. This is not the case in economics. In this course you will need to understand the meaning of basic terms and concepts, but you will also be required to demonstrate the ability to apply macroeconomic concepts in specific situations. In other words, you will be required to demonstrate the ability to think like an economist!

As you proceed through the course keep in mind that you learn macroeconomics by doing economics. That is why the collaborative exercises, study guide, quizzes, homework, and essay questions are so important. They contain a wide variety of problems that require you to apply what you have learned and, at the same time, to test your understanding of the materials.

### **I recommend the following approach to studying and learning macroeconomics.**

- ✧ Read over the material we will be covering in class before each session. The idea is not to master the material being covered but simply to familiarize you with the concepts to be covered in class. In addition, start working on the questions in the study guide that your group will be working on during the next class session.
- ✧ Attend each class, take good notes, and assume an active role within your group.
- ✧ After class, read the text again, study your notes and continue working in the study guide.
- ✧ Form a study group that meets outside of class on a regular basis to go over the material, work on homework, and go over problems in the study guides.
- ✧ See me if you feel lost. Don't wait as thing will only get worse! You (and the taxpayers of Illinois) are paying me to teach this course, so take advantage of my services. If you can't make office hours, see me after class or call/email me, and we will set up a mutually convenient time.

## Course Hours

The course has 20 class sessions in total. Each class session is 120 minutes in length for a total of 2,400 minutes of class time. The course meets from Monday to Thursday.

## Course Outline

### **Part I: Introduction**

1. The Science of Macroeconomics
2. The Data of Macroeconomics

### **Part II: Classical Theory: The Economy in the Long Run**

3. National Income: Where It Comes From and Where It Goes
4. The Monetary System: What It Is and How It Works
5. Inflation: Its Causes, Effects, and Social Costs
6. The Open Economy
7. Unemployment and the Labor Market

### **Part III: Growth Theory: The Economy in the Very Long Run**

8. Economic Growth I: Capital Accumulation and Population Growth
9. Economic Growth II: Technology, Empirics, and Policy

### **Part IV: Business Cycle Theory: The Economy in the Short Run**

10. Introduction to Economic Fluctuations
11. Aggregate Demand I: Building the IS-LM Model
12. Aggregate Demand II: Applying the IS-LM Model
13. Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime
14. Aggregate Supply and the Short-run Tradeoff Between Inflation and Unemployment

### **Part V: Topics in Macroeconomic Theory**

15. A Dynamic Model of Economic Fluctuations (Thoroughly revised!)
16. Understanding Consumer Behavior
17. The Theory of Investment

### **Part VI: Topics in Macroeconomic Policy**

18. Alternative Perspectives on Stabilization Policy
19. Government Debt and Budget Deficits
20. The Financial System: Opportunities and Dangers

### **Epilogue: What We Know, What We Don't**