

**Eco 576-01W: Macro for Managers [CRN # 24405]
Syllabus (Spring 2024): 01/10/2024 – 05/10/2024**

Professor: Dr. Kishor Guru-Gharana

Office: BA 208

Office Hours: MW: 9:30 am-12.30 pm

Phone 903.886.5703 (off); Fax: 903.886.5702

Preferred Form of Communication: email (24/7 during semester)

Communication Response Time: within 24 hours

Class Hours: fully Web based class + occasional preannounced Zoom classes

Email: kishor.guru-gharana@tamuc.edu

Note about Counseling Center

The Counseling Center at A&M-Commerce, located in the Halladay Building, Room 203, offers counseling services, educational programming, and connection to community resources for students. Students have 24/7 access to the Counseling Center’s crisis assessment services by calling 903-886-5145. For more information regarding Counseling Center events and confidential services, please visit www.tamuc.edu/counsel

Course Information

Prerequisites: (Lvl U ECO 2301 Min Grade C and Lvl U ECO 2302 Min Grade C) or ECO1 0 or WMBA 0 or WFIN 0

Required Text: *No Textbook required. Lecture notes provided by the Professor. Students can use any Graduate level Macroeconomics Textbook available in the library.*

Course Basics:

Macroeconomics is the study of the behavior of the economy as a whole and the policy measures that the government uses to influence it. The performance of an economy is generally judged by three broad measures: the growth rate of output, the unemployment rate, and the inflation rate. Macroeconomics utilizes measures including total output, rates of unemployment and inflation, and exchange rates. Macroeconomics aggregates individual markets- looks at markets as a whole using Aggregate Demand and Aggregate Supply (AD and AS). Major macroeconomic issues include Unemployment, Inflation, and Economic growth. Models are simplified depictions of complex reality which try to capture just the essential elements of real-world phenomena. We use different models to focus on a variety of economic questions. In Macroeconomics we use the concepts of growth theory, aggregate supply, and aggregate demand. Growth theory explains the “very long run” (decades) behavior of the economy by analyzing how productive capacity grows. In the long run (several years), productive capacity can be assumed as given. Output depends on aggregate supply, and prices depend on both aggregate supply and aggregate demand. In the short run (say a year or two), the price level is assumed (largely) fixed (sticky), and output is

determined (mainly) by the level of aggregate demand. The topics covered in this course are: National Income Accounting; Aggregate Supply and Demand; Unemployment; aggregate Income and spending; Money, Interest, and Income; Monetary & fiscal policies; Aggregate Consumption & Saving; The Demand for Money; The Fed, Money Market and Credit; and Lags and Uncertainties in Macroeconomic Policies. The ultimate goal of this course is to make the students able to use economic reasoning in a meaningful way when discussing and analyzing current Macroeconomic issues like Growth, Unemployment, Inflation, Business Cycles, Budget Deficits, etc.

Nature of the Course/Material: Keep in mind that Economics 576 is a graduate level course in aggregate economics. Macroeconomic Principles is a prerequisite for Economics 576. Please note that the concept of “prerequisite” is not about a check mark—it has to do with one’s background regarding preparedness to handle the material. You should have a general familiarity with and understanding of the basic terminology and tools of macroeconomic analysis before you start this course. It is important that you do not start the course already behind. In case you have not taken any economics in several years, or if your course in macroeconomics was an institutional/non-analytical course, it would serve you well to check a modern principles text to update yourself on what is included in a macro principles course. Additionally, since macroeconomics is, to a high degree, about relationships between different variables and responses to autonomous changes, shocks and/or policy changes in the economy, we will spend some time on so-called multipliers. Multipliers are about numbers. Consequently, we will use some very elementary algebra to analyze the concept. This will not be more advanced than a high school, first level course in algebra. And while you will not be required to solve complex algebra problems, you will need to be able to follow and understand material that is low level algebra based. If you are uncomfortable with the idea that the course will involve some elementary algebra, I recommend that you review a bit before the course begins.

Instructional Methods: The professor will provide chapter notes (and some videos) through D2L Brightspace Content and/or emails. Questions can be asked through email (kishor.guru-gharana@tamuc.edu) 24/7 throughout the semester.

Student Responsibilities/Tips for Success in the Course

1. Students are expected to:
 - a. Read textbook chapters and resources provided by the Professor for the week(s).
 - b. Read the chapter Instructions/notes and watch/learn from videos (if any) provided by the Professor in D2L.
 - c. Work the assigned homework problems independently. Submit the homework problems through D2L.
 - d. Read the regular announcements in the Announcement section of the D2L Brightspace and download the posted materials with download links.
2. This syllabus is tentative for the semester. It is meant to be a guide. Certain topics may be stressed more or less than indicated in the textbook depending on class progress, and certain topics may be omitted.
3. Homework problems are assigned and graded every two to three weeks. Two chapters are

covered in each assignment. Solutions to Assignment problems will be provided after the grading.

4. Feel free to ask questions through email. I am accessible 24/7 through these channels even during weekends or holidays. You can ask any question related to the course topics and I try to answer them usually within 24 hours.

5. Demeanor: “All students enrolled at the university shall follow tenets of common decency and acceptable behavior conducive to a positive learning environment”. See Students Guidebook.

6. Attendance Policy: This is fully Web based class.

Grading

Grade Component	Points
Four Assignments (12* 4)	48 conducted through D2L
Final Exam (Chapters 1-18)	52 conducted through D2L

Final grade in the course is the average from the student’s total score from the sum of (Assignments + Final) above.

Average Range	Grade
90%-100%	A
80%-89%	B
70%-79%	C
60%-69%	D
Below 60%	F

EXAM SCHEDULE

Exams	Window Period starts*	Window Period ends**	Lectures Covered
Final Exam (Five hours’ enforced time limit)	Morning of Saturday, May 4th, 2024	Midnight of Monday, May 6th, 2024	1-11

*Uploading will be done in the morning (8 a.m.) of the starting date. The Final has a five-days’ window period with enforced time limit once you start the tests. It has a five-hour enforced time limit. The Exam is a single-take Exam. That is, you must finish the Exam in a single take (one-stretch).

Mid-night (11:59 p.m.) of the Last Date. In order to get the full five hours, start before 8 P.M. on the last date for the Final. You can take the test earlier any day from **Saturday, May 4th, 2024. Once the time passes 11:59 p.m. of the last date or you have spent the given time limit for the test (whichever comes first), the system will kick you out of the test. So, be extra careful about the time remaining while taking the test.

The final Exam is accessed through D2L Brightspace following Activities/Quiz/Exam route.

MyLeo Support

Your myLeo email address is required to send and receive all student correspondence. Please email helpdesk@tamuc.edu or call us at 903-468-6000 with any questions about setting up your myLeo email account. You may also access information at [myLeo](https://leo.tamuc.edu). <https://leo.tamuc.edu>

Learner Support

The [One Stop Shop](http://www.tamuc.edu/admissions/onestopshop/) was created to serve you by providing as many resources as possible in one location. <http://www.tamuc.edu/admissions/onestopshop/>

The [Academic Success Center](http://www.tamuc.edu/campusLife/campusServices/academicSuccessCenter/) provides academic resources to help you achieve academic success. <http://www.tamuc.edu/campusLife/campusServices/academicSuccessCenter/>

COMMUNICATION AND SUPPORT

Interaction with Instructor Statement: I generally respond to email questions within 24 hours. You can email any time (24/7) throughout the semester.

Course Specific Procedures/Policies: Missed examination: Missing Homework Assignment will result in zero score while missing the Final will result in grade “F”. There will be no make-up Exam or make-up Assignment.

Syllabus Change Policy

The syllabus is a guide. Circumstances and events, such as student progress, may make it necessary for the instructor to modify the syllabus during the semester. Any changes made to the syllabus will be announced in advance.

University Specific Procedures

Student Conduct

All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment. The Code of Student Conduct is described in detail in the [Student Guidebook](http://www.tamuc.edu/Admissions/oneStopShop/undergraduateAdmissions/studentGuidebook.aspx).

<http://www.tamuc.edu/Admissions/oneStopShop/undergraduateAdmissions/studentGuidebook.aspx>

Students should also consult the Rules of Netiquette for more information regarding how to interact with students in an online forum: [Netiquette](http://www.albion.com/netiquette/corerules.html)

<http://www.albion.com/netiquette/corerules.html>

TAMUC Attendance

For more information about the attendance policy please visit the [Attendance](http://www.tamuc.edu/admissions/registrar/generalInformation/attendance.aspx) webpage and [Procedure 13.99.99.R0.01](http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/academic/13.99.99.R0.01.pdf).

<http://www.tamuc.edu/admissions/registrar/generalInformation/attendance.aspx>

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/academic/13.99.99.R0.01.pdf>

Academic Integrity

Students at Texas A&M University-Commerce are expected to maintain high standards of integrity and honesty in all of their scholastic work. For more details and the definition of academic dishonesty see the following procedures:

[Undergraduate Academic Dishonesty 13.99.99.R0.03](http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/undergraduates/13.99.99.R0.03UndergraduateAcademicDishonesty.pdf)

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/undergraduates/13.99.99.R0.03UndergraduateAcademicDishonesty.pdf>

[Graduate Student Academic Dishonesty 13.99.99.R0.10](http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/graduate/13.99.99.R0.10GraduateStudentAcademicDishonesty.pdf)

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/13students/graduate/13.99.99.R0.10GraduateStudentAcademicDishonesty.pdf>

ADA Statement: Students with Disabilities

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University-Commerce

Gee Library- Room 162

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

Email: studentdisabilityservices@tamuc.edu

Website: [Office of Student Disability Resources and Services](http://www.tamuc.edu/campusLife/campusServices/studentDisabilityResourcesAndServices/)

<http://www.tamuc.edu/campusLife/campusServices/studentDisabilityResourcesAndServices/>

Nondiscrimination Notice

Texas A&M University-Commerce will comply in the classroom, and in online courses, with all federal and state laws prohibiting discrimination and related retaliation on the basis of race, color, religion, sex, national origin, disability, age, genetic information or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

Campus Concealed Carry Statement

Texas Senate Bill - 11 (Government Code 411.2031, et al.) authorizes the carrying of a concealed handgun in Texas A&M University-Commerce buildings only by persons who have been issued and are in possession of a Texas License to Carry a Handgun. Qualified law enforcement officers or those who are otherwise authorized to carry a concealed handgun in the State of Texas are also permitted to do so. Pursuant to Penal Code (PC) 46.035 and A&M-Commerce Rule 34.06.02.R1, license holders may not carry a concealed handgun in restricted locations.

For a list of locations, please refer to the [Carrying Concealed Handguns On Campus](#) document and/or consult your event organizer.

Web url:

<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/34SafetyOfEmployeesAndStudents/34.06.02.R1.pdf>

Topical Outline and Schedule of Assignments: The schedule will depend on class progress. Chapter assignments and tests may be altered as the class progresses. Students should read textbook chapters, and chapter Instructions/notes provided by the Professor.

Chapter	Modes of Instruction	Date/Due date	Learning Objectives and Topics covered
<p><u>Lecture 1</u> Introduction</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Week1</p>	<p>Student should be familiar with the topics and issues covered in Macroeconomics which are the subjects of later chapters.</p> <p>Topics covered: Introduction to Macroeconomics; The long run and short run; Economic models and the real world; A first look at the AD-AS framework; Unemployment and inflation; Actual and potential GDP; Economic cycles; and Recessions and Economic slumps.</p>
<p><u>Lecture 2</u> National Income Accounting</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks2-3</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. become familiar with the four main components of spending as well as their magnitude relative to GDP. 2. become familiar with the relative importance of the factor payments (labor and capital). 3. gain an understanding of the difficulties that arise in accurately measuring GDP, the unemployment rate, and the rate of inflation. 4. become familiar with the basic national income accounting identities presented in the text. 5. gain an understanding of the relationships between private domestic saving, private domestic investment, the budget deficit, and the trade deficit, and the complexity of issues that are associated with the interrelationships among these variables. 6. be able to differentiate between the three price indexes discussed, that is, the GDP-deflator, the PCE, the CPI, and the PPI. 7. be able to differentiate between real and nominal interest rates. <p>Topics covered: Real and Nominal GDP; The composition of GDP; The Value-added approach; The Expenditure approach; Price indexes; Core inflation; The Unemployment rate; Exchange rates; Real and Nominal interest rates.</p>

Lecture 3
**Aggregate
Supply and
Demand**

Lecture Notes through
D2L Brightspace

Weeks 3-4

**Assignment 1
covering Lectures
1-3 due by
midnight (11.59
pm) on Friday,
Feb 9th, 2024**

Students should:

1. know the distinction between market demand and supply versus aggregate demand and supply.
2. be able to distinguish between the classical and Keynesian AS-curves.
3. know the quantity theory of money equation and how it relates to the shape of the AD-curve.
4. be able to graphically determine the effects of shifts in aggregate demand on the output and price level in an AD-AS framework.
5. be able to describe the adjustment process that takes place as the economy moves from one macro-equilibrium to another.
6. understand what the natural rate of unemployment is.
7. be able to discuss the merits of the claims of supply-side economists that income tax cuts will lead to substantial gains in output while lowering inflation.
8. be familiar with the concept of dynamic scoring and be aware that it may only have limited real implications.
9. know that, in the long run, the level of output is determined by shifts in the long-run (vertical) AS-curve, while the price level is determined by the relative shifts of the AS-curve and the AD-curve.

Topics covered: The classical AS-curve; The Keynesian AS-curve; The Price Adjustment mechanism; Frictional unemployment; The Quantity theory of money; The AD-AS framework; The effects of shifts in Aggregate demand; Supply-side economics; Dynamic scoring; and Long-run shifts in aggregate demand and supply.

Lecture 4
Unemployment

Lecture Notes through
D2L Brightspace

Weeks 5-6

Students should:

1. be aware that there are large variations in the unemployment rate across different groups in the labor force.
2. be aware that there is high turnover in the labor market (often cyclical in nature) consisting of flows in and out of the labor pool.
3. be aware of the Beveridge curve, which shows the relationship between job openings and rate of unemployment.
4. know the factors that determine the natural unemployment rate.
5. understand the importance of duration and frequency of unemployment and their relevance to the actual rate of unemployment.
6. be aware that there may be a lag between gains in GDP and improvements in the unemployment rates as the economy recovers from a recession.
7. be aware that the natural rate of unemployment can vary over time.
8. be able to distinguish between frictional and cyclical unemployment.
9. be able to evaluate the costs of unemployment.

Topics covered: The Beveridge curve; Okun's law and the sacrifice ratio; Key characteristics of unemployment; Variations in unemployment across groups; Duration and frequency of unemployment; Jobless recoveries; The natural rate of unemployment; Unemployment hysteresis; International comparisons; and the Cost of unemployment.

Lecture 5
Income and Spending

Lecture Notes through D2L Brightspace

Weeks 6-7

Assignment 2 covering lectures 4 and 5 due by midnight (11.59 pm) on Friday, March 1st, 2024

Students should:

1. understand the distinction between actual and intended spending and between national income identities and equilibrium conditions.
2. understand the concept of marginal propensity to consume (or save).
3. know that after a change in autonomous spending, the adjustment process to a new equilibrium level of output is based on changes in unwanted inventory investment.
4. understand the graphical and mathematical determination of the equilibrium output level.
5. learn that the multiplier effect is a dynamic process.
6. be aware that the size of the expenditure multiplier is determined by the model under discussion.
7. understand that any change in autonomous spending will cause a larger change in equilibrium output but will not affect the size of the expenditure multiplier.
8. be aware that a change in the marginal propensity to consume, the income tax rate, or other automatic stabilizers will affect the size of the expenditure multiplier as well as the equilibrium output level.
9. be able to differentiate between active fiscal stabilization policy and automatic stability.
10. be able to assess the effects of changes in government purchases and taxes on the budget surplus and equilibrium income.
11. be familiar with the balanced budget theorem.
12. be familiar with recent trends in the actual budget surplus and be able to distinguish between the cyclical and structural component of the budget surplus.

Topics covered: The consumption function: The marginal propensity to consume and save; The determination equilibrium income; The expenditure multiplier; The government and fiscal policy; Income taxes as automatic stabilizers; and the Actual and Structural budget surplus.

<p><u>Lecture 6</u> Consumption & Saving</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 7-8</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. know that the long-run MPC is high and the short-run MPC is low, which implies that the long-run multiplier is larger than the short-run multiplier. 2. understand that the life-cycle theory and the permanent-income theory are complementary rather than competing theories. 3. be able to discuss extensions to the life cycle and permanent-income theories, including the effects of changes in demographics, family composition, life expectancy, retirement age, and savings motives other than retirement. 4. understand the implications of liquidity constraints and know that those constraints can be very real for many households, especially those which are considered to be "financially fragile." 5. be able to explain the random-walk theory of consumption. 6. understand the policy implications of the consumption theories presented in this chapter. 7. be aware that empirical evidence does not fully support all predictions based on the life cycle and permanent-income theories. 8. be familiar with the Barro-Ricardo proposition. 9. know that changes in wealth affect consumption but the impact of this wealth effect appears to be fairly small. 10. be aware that saving and consumption are fairly insensitive to interest rate changes, and that this reflects the relative strengths of the substitution and income effects. 11. be aware that household consumption behavior differs regarding non-durable versus durable goods. 12. be aware of international differences in savings rates and of the implications these differences may have for future living standards. <p>Topics covered: The marginal propensity to consume; The life-cycle theory; The permanent-income theory (hypothesis); The random-walk model of consumption; Demography and consumption; Liquidity constraints and myopia; Buffer stock saving; Excess smoothness and excess sensitivity; Interest rates and consumption: the Fisher diagram; The Barro-</p>
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			Ricardo equivalence proposition; International differences in savings rates.
<p><u>Lecture 7</u> IS-LM Model of Money, Interest, and Income</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 9-10</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. be aware that the IS-LM model discussed here is a simplified, short-run, static macro-model, in which prices are assumed to be fixed. 2. Students should understand that every point on the IS-curve represents an equilibrium in the expenditure sector and every point on the LM-curve represents an equilibrium in the money sector. 3. Students should be aware that, although there are many combinations of the level of income and the interest rate that bring either the expenditure sector or the money sector into equilibrium, there is only one combination of these two variables that will bring both sectors into equilibrium simultaneously. 4. be able to identify the factors that determine the slope of the IS- and LM-curves and the factors that lead to a shift in either one. 5. be able to identify the strengths of fiscal and monetary policies given different assumptions about the slopes of the IS- and LM-curves. 6. be able to graphically derive the AD-curve. 7. understand that every point on the AD-curve represents a situation in which the goods and money sectors are simultaneously in equilibrium. <p>Topics covered: Equilibrium in the goods sector: the IS-curve; Equilibrium in the money sector: the LM-curve; Determination of a short-run macro-equilibrium in the IS-LM model; Real money balances; The fiscal policy multiplier; The monetary policy multiplier; and the formal derivation of the AD-curve.</p>

<p>Lecture 8 The Demand for Money</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 10-11 Assignment 3 covering lectures 6,7, and 8 due by midnight on Friday, March 29, 2024</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. be able to identify the different functions of money. 2. be familiar with the concept of money illusion. 3. be able to distinguish between the monetary aggregates M1 and M2, and they should know the approximate current values for M1, M2, V1, and V2. 4. be able to explain why money demand and the income velocity of money have become more unstable. 5. be able to distinguish between the three different motives for holding money balances (transaction, precaution, and speculation). 6. understand why the demand for money decreases with an increase in the interest rate and increases with an increase in income. 7. know the implications of the square root formula that is derived from the Baumol-Tobin transactions demand model. 8. know that portfolio diversification involves a tradeoff between risk and expected return and that money is held because it is the asset with the lowest risk. 9. understand the importance of the quantity theory of money. <p>Topics covered: The components of monetary aggregates; The importance and functions of money; Money demand for transaction; Money demand for precaution; Money demand for speculation; Empirical evidence; The income velocity of money; and the Quantity theory.</p>
<p>Lecture 9 The Fed, Money Market & Credit</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 12-13</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. be able to identify the structure and functions of the U.S. Federal Reserve system. 2. know that the Fed is the "lender of last resort." 3. be able to derive the money multiplier and calculate changes in money supply resulting from open market operations. 4. be able to identify factors that can affect the size of the money multiplier. 5. be able to identify the tools that the Fed has at its disposal to conduct monetary policy. 6. know why the Fed has direct control over bank reserves but not money supply. 7. know that the Fed cannot simultaneously control interest rates and money supply. 8. be able to discuss the relative merits of the

			<p>immediate, intermediate, and ultimate targets that the Fed can choose for monetary policy.</p> <p>9. be able to show in an IS-LM diagram that it is better to target money supply when disturbances arise from the expenditure sector and to target interest rates when disturbances arise from the money sector.</p> <p>10. know the difference between debt financing and money financing.</p> <p>11. be able to distinguish between the short-run and long-run effects of monetary policy.</p> <p>12. recognize that the decision-makers within the Fed look at many variables when deciding on the appropriate monetary policy change and that looking at credit availability may be a better indication of what policy action to undertake than looking at monetary or interest rate targets.</p> <p>13. know that the Fed can also intervene in financial markets in non-traditional ways when extraordinary circumstances warrant, as was the case in 2008 and thereafter.</p> <p>Topics covered: Money creation and the money multiplier; Deposit insurance; Open market operations; Discount loans; Reserve requirements; The federal funds rate; Financing federal deficits; Intermediate monetary policy targets: money versus interest rates; and Credit.</p>
<p><u>Lecture 10</u> Monetary & Fiscal Policies</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 13-14</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. understand the dynamics of adjustment in the IS-LM model following a fiscal or monetary policy change. 2. be aware that the liquidity trap and the classical case represent extreme cases that show the limitations of monetary and fiscal policy in an IS-LM framework. 3. understand the concept of crowding out and know that the degree of crowding out in the IS-LM model depends on the slopes of the IS- and LM-curves. 4. be able to identify the factors that determine the slopes of the IS- and LM-curves. 5. be aware of the limitations of the static, short-run nature of the IS-LM model. 6. know that different policy mixes differ in their impact on the components of aggregate demand and that the choice of policy mix is often determined by political considerations. 7. understand that budget deficits are not always bad, and that deficit reduction may (but does not

			<p>necessarily have to) involve economic contraction.</p> <p>8. be aware of the motivations for some of the policy choices made over the last few decades and understand how the U.S. economy was affected by these policies.</p> <p>9. be familiar with the term "zero lower bound" (ZLB) and how it may affect the way a central bank conducts its monetary policy.</p> <p>10. have some knowledge of the unorthodox policy measures (and the reasons for them) that were undertaken by the Fed and the administration during the financial crisis that started in 2008.</p> <p>Topics covered: Open market operations; The effects of monetary policy on output; The transmission mechanism; The liquidity trap and the classical case; The zero lower- bound; Quantitative easing; The quantity theory of money; Fiscal policy and crowding out; Monetary accommodation; The effects of alternative policies on the composition of output; Policy reactions to booms and recessions; and Anticipatory monetary policy.</p>
<p><u>Lecture 11</u> Policy Tools and Issues</p>	<p>Lecture Notes through D2L Brightspace</p>	<p>Weeks 15- 16</p> <p>Assignment 4 covering lectures 9,10, and 11 due by midnight on Friday, May 3rd, 2024</p>	<p>Students should:</p> <ol style="list-style-type: none"> 1. be able to define inside and outside lags and explain their importance in assessing active stabilization policies. 2. understand the concept of automatic stabilizers. 3. be aware that the workings of the economy are still not completely understood, and that many questions remain unanswered, including how expectations are formed and what the bases for the private sector's reactions to policy measures are. 4. be aware that poor information and uncertainty about the accuracy of economic models may lead to policy measures that are ineffective or even destabilizing. 5. be familiar with the instruments, indicators, and targets that are available to the central bank in its conduct of monetary policy. 6. be aware of the difference between inflation targeting, real GDP targeting, and nominal GDP targeting. 7. know the relative merits of the cold turkey and gradualist approaches. 8. be aware that the "rules versus discretion"

			<p>approach often implies a tradeoff between flexibility and credibility and should be able to discuss the merits of each policy approach.</p> <p>9. understand the concept of dynamic inconsistency.</p> <p>10. be able to discuss the desirability of an independent central bank.</p> <p>Topics covered: Policy lags; Automatic stabilizers; Uncertainties and expectations; Gradualist versus cold turkey policies; Policy instruments, indicators, and targets; Fine tuning the economy; Rules versus discretion; Real GDP, nominal GDP, and inflation targeting; Dynamic inconsistency; The independence of the central bank</p>
<p>Final Exam: Time limit 4.5 hours once you start the test (single take and one stretch)</p>	<p>Through D2L Brightspace Activities/Quiz/Exam section</p>	<p>Window: From 8 a.m., Saturday, May 4th to 11:59 p.m., Monday, May 6th, 2024</p>	<p>Lectures: 1-11</p>

HOMEWORK PROBLEMS TO BE TURNED IN (LATE SUBMISSION NOT ACCEPTED)

<u>Chapters</u>	<u>Assignment</u>	<u>Due Date</u>
<u>Lectures 1-3</u>	<u>Assignment 1 (Uploaded in D2L)</u>	<u>By 11.59 P.M. of Friday, Feb 9th</u>
<u>Lectures 4-5</u>	<u>Assignment 2 (Uploaded in D2L)</u>	<u>By 11.59 P.M. of Friday, March 1st</u>
<u>Lectures 6-8</u>	<u>Assignment 3 (Uploaded in D2L)</u>	<u>By 11.59 P.M. of Friday, March 29th</u>
<u>Lectures 9-11</u>	<u>Assignment 4 (Uploaded in D2L)</u>	<u>By 11.59 P.M. of Friday, May 3rd</u>