

APPLIED MACROECONOMICS-I
ECO 5206
Fall 2004

Basic Information

Professor: Don Schlagenhauf
Office: 277 Bellamy Hall
Class Time: 5:15-6:20 T-Th
Office Hours: 3:30-4:30 T-Th and by appointment
Phone: 644-3817
E-Mail: dschlage@mailier.fsu.edu

Course Objectives

This is the first macroeconomics course in the applied masters degree program. The objective of this course is to provide a simple, but rigorous framework for understanding and analyzing macroeconomic events, their causes and their consequences. This understanding can provide you with a crucial advantage when making professional decisions. At the end of the class you should be able to analyze and make some sense of issues like the current US macroeconomic situation, the current status of US fiscal and monetary policy, the Argentine crisis, or the impact of macroeconomic events for financial markets and state economies. By the end of the class, you should be able to understand and read critically newspaper articles about the economy.

Some of the questions you should be able to answer by the end of the class are:

- What causes sustained growth and can growth continue indefinitely?
- Why are some countries rich and other countries poor?
- Why is China growing so much faster than India?
- Is there anything that a government can or should do to alter the rate of economic growth?
- What causes business cycles?
- Can we predict business cycles?
- How strong is the current US recovery?
- What is the effect of the Bush tax cut?
- Do we have to worry about large government deficits?
- Should we worry about large trade deficits?
- What role does demographics play in understanding macroeconomics?

Grading

The course grade will have three components. Two exams will be given. A midterm will account for 40 percent of the final grade. The midterm exam will be given on March 5. The second exam will also account for 40 percent of the final grade. Each exam will be two hours in duration. The exam will be a combination of short answer questions and applied problems. The final 20 percent of the course will be based on cases/homework assignments and presentations of the cases in the class.

Schedule

The **tentative** schedule for homework/cases and exams are as follows:

Event	Date
Problem Set 1	Sept. 30
Problem Set 2	Oct. 21
First Exam	Oct. 28
Problem Set 3	Nov. 18
Problem Set 4	Dec 2
Second Exam	TBA

Homeworks and cases must be handed in at the start of class on the date specified. No homeworks/cases will be accepted once I collect the homeworks. The team will receive a zero on that homework.

Useful Texts and Notes

- David Miles and Andrew Scott, **Macroeconomics: Understanding the Wealth of Nations**, John Wiley and Sons, 2002.
- Steven Williamson, **Macroeconomics**, Addison-Wesley, 2004.
- Posted lecture notes on my web page (http://garnet.acns.fsu.edu/~dschlage/don_schlagenhauf.htm)

Course Outline

Measurement and Performance in Macroeconomics

A. Measurement of Output and Prices

1. Miles and Scott-Chs 1-2.
2. Williamson-Chs 1-2.
3. Lecture Notes 1
4. "A Guide to the NIPA's, Survey of Current Business
5. "Gini says: Measuring Income Inequality," LBO Report, October 18, 1993.

B. Measurement of Business Cycles

1. Williamson- Ch. 3.

Lecture Notes 2

Economic Growth

1. Miles and Scott-Chs 4-7.
2. Williamson- Ch 6.
3. Lecture Notes 3
4. P. Krugman, "The Myth of Asia's Miracle, **Foreign Affairs**, November 1994.
5. Goldman Sachs, Dreaming with BRICs: The Path to 2050, October 2003.

1. Labor Markets

Basic Models

A. Some Basic Microeconomic Concepts

1. Williamson-Ch 4.
2. Lecture Notes 4

B. A Simple Static Model

1. Williamson - Ch. 5.
2. Lecture Notes 5.

C. A Simple Dynamic Model - The Two Period Model

1. Miles and Scott - Ch 13
2. Williamson - Ch 8(pp237-267)
3. Lecture Notes 6

D. Dynamic Fiscal Policy

1. Miles and Scott- Ch. 10,11
2. Williamson - Ch. 8(pp. 268-287)
3. Lecture Notes 7
4. E. C. Prescott, "Why Do Americans Work So Much More Than Europeans?", Federal Reserve Bank of Minneapolis Working paper, 2003.
5. N. Ferguson and L. Kotlikoff, "Going Critical: American Power and the Consequences of Fiscal Overstretch," May 2003.

Business Cycle Models

A. A Real Intertemoral Model

1. Williamson, Ch. 9
2. Lecture Notes 8

B. A Business Cycle Model with Money

1. Williamson, Ch 10, 15(pp.536-551)
2. Lecture Notes 9
3. Miles and Scott, Ch 12.

C. Models of Business Cycles

1. Williamson, Ch 11
2. Lecture Notes 10
3. M. Gongloff, "How Hard will the Dollar Fall?", CNN, November 20, 2003
4. "McCurrencies: Hamburgers should be an Essential part of Every Economist's Diet", **Economist**, April 23, 2003.

International Macroeconomics

A. International Trade in Goods and Assets

1. Williamson, Ch 13.
2. Lecture Notes 11
3. Miles and Scott, Ch. 9.

B. Money in the Open Economy

1. Williamson, Ch 14.
2. Lecture Notes 12
3. Miles and Scott, Ch. 18,20

Macro Financial Markets

A. Equity Markets

1. Miles and Scott- Ch 21
2. E. McGrattan and E.C. Prescott, "Is the Stock Market Overvalued?"
Federal Reserve Bank of Minneapolis **Quarterly Review**, Fall 2000.

B. Interest Rate Markets

1. Miles and Scott - Chs. 15,16,22

Cheating and Honor Code

Students are expected to uphold the Academic Honor Code. The Academic Honor System of the Florida State University is based on the premise that each student has the responsibility to:

1. Uphold the highest standards of academic integrity in the students own work,
2. Refuse to tolerate violations of academic integrity in the University community, and
3. Foster a high sense of integrity and social responsibility on the part of the University community.

Anyone caught cheating or facilitating dishonesty in any form will be appropriately penalized.

ADA Requirements

Students with disabilities needing academic accommodations should:

1. Register with and provide documentation to the Student Disability Resource Center(SDRC).
2. Bring a letter to the instructor from SDRC indicating your need for academic accommodations. This should be done within the first week of class.

For more information about services available to FSU students with disabilities, contact the Assistant Dean of Students: sdre@admin.fsu.edu, Disabled Students Services, 08 Kellum Hall, Florida State University, Tallahassee, Fl. 32306, (850)-644-9566.