

# **ECO 5715 (0663 & 7126)**

## **OPEN ECONOMY MACROECONOMICS**

### **Spring 2019**

**PROFESSOR:** Doug Waldo  
**OFFICE:** Matherly 323  
**PHONE:** (352) 392-1370  
**E-MAIL:** waldo@ufl.edu  
**OFFICE HOURS:** TR 9:35 – 11:30, Matherly 323  
**CLASSES:** (0663) MW 11:45 – 1:40 in HGS150  
 (7126) MW 1:55 – 3:50 in HGS150

**PURPOSE:** Macroeconomics is concerned with the determination of a country's output, inflation, interest rates, exchange rates, & trade balance. This course adopts a highly international perspective, considering the international linkages arising from capital & trade flows as well as a comparison of macroeconomic policies and performance across countries. In addition, the course examines the effects of macroeconomic events on the international business environment. By the end of this course, you should be able to understand the coverage of international macroeconomics presented in print & on TV. Useful sources of macroeconomic news include publications like *The Economist*, *The Wall Street Journal*, & *Business Week* & TV shows on CNBC or Bloomberg.

**PREREQUISITES:** Students should have some familiarity with economic terminology & the analysis of supply and demand as presented in ECP 5702, ECO 2013, or EC 2023.

**GRADING:** There will be two tests each worth 100 points. There will also be two sets of online quizzes worth 10 points each. You are expected to attend class though your grade is not based on attendance. If you have a conflict with an exam, you must make the exam up before the class exam. Make-ups after the class exam will be permitted only under very extraordinary circumstances. Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation. Your grade for the course will be determined by your total points on the two tests and two problem sets. Maximum cutoffs for each grade are given in the table below:

	OQP1	T1	OQP2	T2	Total	%
A	9.5	95.0	9.5	95.0	209.0	95.0
A-	9.0	90.0	9.0	90.0	198.0	90.0
B+	8.7	87.0	8.7	87.0	191.4	87.0
B	8.3	83.0	8.3	83.0	182.6	83.0
B-	8.0	80.0	8.0	80.0	176.0	80.0
C+	7.7	77.0	7.7	77.0	169.4	77.0
C	7.3	73.0	7.3	73.0	160.6	73.0

**GRADING (continued)** If I think these cutoffs are too high for a particular test, I will lower them and post the revised grade cutoffs under “Resources” on Canvas. If, for example, I set the A cutoffs on the two tests at 94 & 93 (& leave the other cutoffs unchanged), you only need 206 points (93.6%) for an A in the course. Once the final course grading scale is set, it is set in stone. There will be no extra-credit work, outside papers, etc. If you miss the next highest grade by a fraction of a percent you will have my sympathy - but I will not change your grade! Current UF grading policies for assigning grade points can be found at <http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html>.

**NOTES & TEXT: Tests are based on lectures. Class notes are your most important resource.**

Most students take notes on note shells made from the handouts version of my PowerPoint files. Taking notes on a computer is difficult because we will be drawing graphs. Some students take text notes on their computers and then draw the graphs in a notebook. You can print note shells on your own from files posted on Sakai or you can buy a complete set from Target.

I have based my lectures on material from *Macroeconomics* (7th edition) by Olivier Blanchard. The 7<sup>th</sup> edition (ISBN-13: 978-0133780581) is outrageously expensive with an Amazon.com price of over \$200. Many of my past students have gotten by without a textbook. Alternatively, used 4<sup>th</sup>, 5<sup>th</sup>, or 6<sup>th</sup> editions are just as good as the 7<sup>th</sup> and are available for at a lower price. However, you should be careful to not buy a used 1<sup>st</sup> through 3<sup>rd</sup> edition because they use different graphs for the material covered in the last half of the course. The Porsche case is optional and is available at Target Copy.

**SCHEDULE:** In the schedule that follows, the timing is approximate. Numbers in parentheses identify the corresponding PowerPoint files

<b>Date</b>	<b>Topic</b>
3/11	Intro (01) & The Goods Market (02)
3/13	The Money Market & Inflation (03)
3/18	The IS-LM Model (04)
3/20	The Medium Run & Long Run (05)
3/25	Inflation and Interest Rates (06), & Stock Prices (07)
3/27	Catch up day
4/01	Test review session during class time <b>First Test (6:15 – 8:10 at night)</b> covers material through Stock Prices (07). 0663 (MW 3-4) ??? 7126 (MW 5-6) ???
4/03	Openness in Goods & Financial Markets (08)
4/08	The Goods Market in an Open Economy (09)
4/10	Flexible Exchange Rate IS/LM (10)
4/15	Porsche Case (11) & European Monetary Union (12)
4/17	Fixed Exchange Rate IS/LM (14)
4/22	Catch up day
4/24	Test review session during class time <b>Second Test (6:15 – 8:10 at night)</b> - Covers Openness (08) and subsequent material 0663 (MW 3-4) ??? 7126 (MW 5-6) ???

## Topics & Associated Text Material

PPT File	Topic	4 <sup>th</sup> edition Text	5 <sup>th</sup> edition Text	6 <sup>th</sup> edition Text	7 <sup>th</sup> edition Text
01	Intro	2 (pp. 3-15)	1 (pp. 3-17) 2 (pp.20-26)	1 (pp. 3-15) 2 (pp. 20-25, 33-34)	1 (pp. 4-16) 2 (pp. 2-26, 35-36)
02	Goods Market	3 (pp. 4-52, 55-61) <sup>1</sup>	3 (pp. 43-50, 53-56, & 58-59) <sup>1</sup>	3 (pp. 43-50, 53-56, & 58-60) <sup>1</sup>	3 (pp. 47-54, 57-60, & 62-64) <sup>1</sup>
03	Money Market & Inflation	4 (pp. 65-76)	4 (pp. 63-72)	4 (pp. 63-72)	4 (pp. 67-76)
04	IS/LM	5 (pp. 89-110) & Handout	5 (pp. 85-102) & Handout	5 (pp. 85-102) & Handout	5 (pp. 89-104) & Handout
05	Medium & Long Run	Handout	Handout	Handout	Handout
06	Inflation & Interest Rates	14 (pp. 291-295, 306-308)	14 (pp. 291-295, 300-303)	14 (pp. 291-296, 300-305)	6 (pp. 112-116)
07	Stock Prices	15 (pp. 322-329)	15(pp. 322-330)	15 (pp. 322-333)	14 (pp. 298-307)
08	Openness	18 (pp. 375-392)	18 (pp. 377-394)	18 (pp. 379-396)	17 (pp. 349-365)
09	Open Econ. Goods Market	19 (pp. 395-397) <sup>2</sup>	19 (pp. 397-399) <sup>2</sup>	19 (pp. 399-401, 409-411, 413-414) <sup>2</sup>	18 (pp. 369-371, 379-381, 384-385) <sup>2</sup>
10	Flexible Exch. Rate IS/LM	20 (pp. 421-428) & Handout	20 (pp. 421-430) & Handout	20 (pp. 423-435) & Handout	19 (pp. 391-403) & Handout
11	Porsche	Case & Handout	Case & Handout	Case & Handout	Case & Handout
12	EMU		21 (pp. 455-458)	21 (pp. 459-462)	20 (pp. 422-427)
14	Fixed Exch. Rate IS/LM	20 (pp. 428-436) & Handouts	20 (pp. 430-437) & Handouts	20 (pp. 435-439) & Handouts	20 (pp. 413-418) & Handouts

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1 Skip the ZZ/45° graph

2 Skip the ZZ/AA graph

**WEBSITES:** There are several useful websites that you may want to access.

The Economist is the premier international business news weekly. Some of their current articles are available free on their website. <http://www.economist.com/>

Commanding Heights - website for the (2001) PBS miniseries. You can watch the entire show (small format) over the Internet.

<http://www.pbs.org/wgbh/commandingheights/hi/index.html>

FRED II - data base for US macroeconomic data provided by the Federal Reserve Bank of Saint Louis

<http://research.stlouisfed.org/fred2/>

Greg Mankiw's Blog is an interesting blog with comments on current issues

<http://gregmankiw.blogspot.com/>

The Wall Street Journal is an excellent source of current news. They offer complimentary access to UF students. To activate, go to

[https://education.wsj.com/search/?mod=wsj\\_activation2](https://education.wsj.com/search/?mod=wsj_activation2)

**IMPLIED ACKNOWLEDGEMENTS:** Enrollment in this course constitutes acknowledgement of the following:

1) I understand that the University of Florida expects its students to be honest in all of their academic work. I agree to adhere to this commitment to academic honesty and understand that my failure to comply with this commitment may result in disciplinary action, up to and including expulsion from the University.

2) I will adhere to university copyright policies as found at:

<http://www.uflib.ufl.edu/admin/Copyright.htm>.

**ASSURANCE OF LEARNING** Each program at the Warrington College of Business Administration has developed goals and objectives that express the most valued skills and knowledge that students should be able to demonstrate upon completion of the total learning experiences in that program.

The **MBA** program goals and objectives that apply to this course are from MBA Learning Goal 5; Program graduates will be competent across business disciplines. Specifically

5A. Students will apply the essential elements of core business principles to analyze and solve problems in the business environment.

5B. Students will apply essential elements of core business principles to construct and implement decision-making processes in the business environment.

The **MSM** program goals and objectives that apply to this course are from MSM Learning Goal 4; Program graduates will have competency in and across business disciplines. Specifically

4B. Students will apply essential elements of core business principles to construct and implement decision-making processes in the business environment.

4C. Assess and explain the relationship of relevant aspects of the business environment to business decisions.

The **MAIB** program goals and objectives that apply to this course are from MAIB Learning Goal 3; Program graduates will have a global perspective. Specifically

3F. Students will demonstrate understanding of international linkages arising from international capital and trade flows and compare/contrast macroeconomic policies across countries.