

University of Florida
College of Agricultural and Life Sciences
Food and Resource Economics Department

AEB3281 Agricultural Macroeconomics

Fall Term 2015

Section: 8084
3 Credit Hours

Monday, Wednesday, Friday 12:50 – 1:40pm
Classroom: McCarty Hall A G186

Instructor and Contact Information

Instructor: Dr. Mikael Sandberg
Office: 1177 McCarty Hall A
Phone: (352) 294-7621
Office Hours: Monday, Wednesday, and Friday 10:40 – 11:30am
Tuesday 1:30 – 3:30pm.
Other times by appointment only.
E-mail: sandberg@ufl.edu

Given other responsibilities this semester, availability will be greatly limited outside of posted Office Hours. However, please feel free to e-mail me for an appointment.

Many students find that e-mail is an efficient and fast way to ask questions. Students should note that I *do not* utilize the e-mail tool within E-Learning Sakai. *Courteous and professional* e-mails can expect a prompt reply. Please note that course scheduling/registration and academic advising inquiries are handled by Mr. Michael Fitzgerald, see contact information below.

FRE Program Assistant: Ms. Kathy Green, 1170 McCarty Hall A; (352) 294-7640;
E-mail: kagreen1@ufl.edu

Undergraduate Advisor: Mr. Michael Fitzgerald, 1170 McCarty Hall A; (352) 294-7638;
E-mail: mgfitzgerald@ufl.edu

Teaching Assistant: Ms. Ibtisam Al-Abri, Office and Office Hours: TBA.
E-mail: ialabri@ufl.edu

E-Learning Sakai: There is an E-Learning Sakai web-page for this course. To access E-Learning Sakai, you will need your Gatorlink username and password. E-Learning Sakai can be accessed via <https://lss.at.ufl.edu/>. If you are having difficulties accessing E-Learning Sakai, please contact the UF Computing Help Desk by calling (352) 392-HELP or via e-mail helpdesk@ufl.edu. You will need your UFID/Gatorlink information when contacting them. The E-Learning Sakai page should be operational by the end of the first week of class.

Dr. Sandberg reserves the right to change the terms and dates stated in this Course Syllabus at any time. Any changes will be communicated in class, via the Gatorlink e-mail listserv, and posted on E-Learning Sakai. It is solely the student's responsibility to stay informed of any changes.

General Course Information

Required Text: *Macroeconomics* 9th edition, by N. Gregory Mankiw, Worth Publishers/McMillan Education, 2016. ISBN: 978-1-4641-48289-1. You will need a copy of the textbook.

Catalog Description: An introduction to the world economy from a macroeconomic perspective. Focuses on the linkages arising from international trade and capital flows in the agricultural sector.

...which really means: This is an applied *intermediate* macroeconomic *theory* course. This course is designed to familiarize students with the behavior of the economy as an aggregate unit and the theories (and models) explaining over-all economic performance. The focus is on understanding underlying relationships. Where appropriate, this course emphasizes the interrelatedness of national economies with respect to macroeconomic policies, trade flows, international capital movements, exchange rates, and economic performance. The following three quotes are illustrative in understanding the scope and approach of modern macroeconomics:

“The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, which helps its possessor to draw correct conclusions.”

—John Maynard Keynes

“The year 1932 was the trough of the great depression, and from its rotten soil was belatedly begot a new subject that today we call macroeconomics.”

—Paul Samuelson

“When written in Chinese the word crisis is composed of two characters. One represents danger, and the other represents opportunity.”

—President John F. Kennedy

Prerequisite: ECO2013 Principles of Macroeconomics, or the equivalent. It is assumed that students are familiar (and comfortable) with the material covered in ECO2013.

Format: AEB3281 is an analytical course. As such, the primary methods of instruction are traditional lectures and discussions. Theories and frameworks will be presented in class and we will discuss their derivations as well as their applicability to the ‘real world.’ Quantitative reasoning, economic principles, and analytical methods are used extensively. This course will proceed at a fairly rapid pace. Consequently, it is expected that students keep up with reading the textbook, preferably prior to each lecture. Students are encouraged to be active classroom participants.

Attendance: Students are expected to attend class and to be in class on-time. You are an upper-division student at the University of Florida and it is expected that you will behave in a professional manner. Attending class is a prerequisite for doing well in this course. We are going to proceed at a rather quick pace. Given the nature and quantity of material covered, missing class will detrimentally impact your performance in this course. It is further assumed that students will arrive to class on-time. Class will promptly start at 12:50pm. Arriving late or leaving early without prior consent is considered unprofessional behavior.

Course Objectives and Structure

Course Objectives: AEB3281 has five main course objectives. After the successful completion of this course, the typical student should be able to

1. Access economic news with greater sophistication;
2. Relate macroeconomic events to the operations of a firm;
3. Assess the impact of proposed macroeconomic policies;
4. Understand the interrelatedness of national economies;
5. Understand why economic activity fluctuates.

These five objectives are accomplished by developing an understanding of...

- ... the measurement of overall economic activity;
- ... the distribution of national income among economic agents in an economy;
- ... the dynamics between national savings, national investment, and interest rates;
- ... the workings of the Federal Reserve and monetary policy;
- ... how fiscal policy and monetary policy affect the overall economy;
- ... the interaction and interdependence of national economies;
- ... the determination of the trade balance;
- ... the dynamics of exchange rates;
- ... the workings of the business cycle;
- ... the role policy plays in stabilizing and influencing the economy;
- ... the causes and consequences of the 2008 – 2010 financial and economic crisis.

Course Outline: This outline may be altered as deemed appropriate by the instructor. Any changes will be communicated in class. Below you will find a brief outline of the material to be covered; the subsequent pages provide a more detailed chapter-by-chapter outline.

Brief Outline: The contents of this course can be divided into three distinct modules:

- **Basic Macroeconomic Foundations and Statistics**
This *very brief* introductory module deals with the review of basic macroeconomic concepts and methodology. The emphasis is on understanding how economic activity is measured. Attention will also be given to the interpretation of economic statistics and the identification of any shortcomings of the way we approach economic activity.
- **Long-run Analysis and Fundamentals – Classical Macroeconomics**
This module deals with the study of long-run macroeconomic fundamentals and the relationships between key economic variables. Interrelatedness of national economies is stressed.
- **Business Cycles and Economic Fluctuations – Keynesian Macroeconomics**
This *extensive* module deals with the study of short-term and intermediate-term economic fluctuations, such as recessions and expansions. Economic policy is emphasized. The role of the United States in the global economy is discussed. Particular attention will be given to the 2008 – 2010 financial/economic crisis.

Detailed Course Outline:

I. Basic Macroeconomic Foundations and Statistics

Ch 1: The Science of Macroeconomics (pp. 1 – 14)

- Scope of Macroeconomic Analysis
- Macroeconomic Models
- Endogenous and Exogenous variables

Ch 2: The Data of Macroeconomics (pp. 17 – 43)

- Gross Domestic Product
- Nominal GDP vs. Real GDP
- Prices
- GDP Deflator vs. Consumer Price Index
- Inflation
- Unemployment

II. Long-run Analysis and Fundamentals: Classical Macroeconomics

Ch 3: National Income (pp. 47 – 77; you can skip pp. 51 – 64)

- An economy's production function
- Determinants of economy-wide supply of goods and services
- Determinants of economy-wide demand for goods and services
- Components of GDP and allocation of income
- Consumption function
 - o Marginal propensities to consume and save
- Investment function
- Interest rate determination
 - o Savings and investment analysis
- Impact of fiscal policy: a preliminary approach

Ch 6: The Open Economy (pp. 139 – 169; you can skip pp. 165 – 168)

- International flows of goods and services
- International flows of capital
- Savings & investment and the trade balance
- Impact of fiscal policy domestically: open economy case
- Impact of fiscal policy abroad: open economy case
- Impact of trade policy
- Exchange rates
 - o Nominal exchange rates
 - o Real exchange rates
- Determining exchange rates
- Impact of fiscal policy and trade policy
 - o 'Twin deficits'
- Open-economy equilibrium

Ch 4: The Monetary System: What It Is and How It Works (pp. 81 – 101; you can skip pp. 88 – 95)

- Functions of money
- Nature of fiat money
- Monetary authorities and the Central Bank
- The Federal Reserve System
- Policy instruments of the Federal Reserve
 - o Open market operations, discount rate, reserve requirements

Ch 5: Inflation: It's Causes, Effects, and Social Costs (pp. 105 – 132; you can skip pp. 118 – 120)

- Inflation
- Quantity theory of money
- Relationship between the money supply and the price level
- Fisher effect: Inflation and interest rates

III. Business Cycles and Economic Fluctuations: Keynesian Macroeconomics

Ch 10: Introduction to Economic Fluctuations (pp. 281 – 308)

- The business cycle
 - o Recessions
- Okun's Law and unemployment
- Long-run vs. Short-run
- Aggregate Demand and Aggregate Supply
 - o Impact of Monetary policy
 - o Shocks
 - o Policy response and dynamics

Ch 11: Aggregate Demand I: Building the IS-LM Model (pp. 311 – 335)

- Keynesian cross
 - o Government spending multiplier effect
 - o Tax multiplier effect
- Derivation of the IS-curve
- Keynesian money market model
- Derivation of the LM-curve
- Short-run economic equilibrium
- Determination of income and interest rates

Ch 12: Aggregate Demand II: Applying the IS-LM Model (pp. 337 – 362)

- Explaining economic fluctuations
 - o Impact of fiscal policy
 - o Impact of monetary policy
 - o Interaction between policies and policy mixes
- The Liquidity Trap
- The Great Depression
- Financial Crisis of 2008 – 2009 and recession

Ch 13 Appendix: A Short-Run Model of the Large Open Economy (pp. 402 – 406)

- Business cycles in a large open economy
- Impact of fiscal policy, monetary policy, and trade policy

Ch 20: The Financial System: Opportunities and Dangers (pp. 581 – 603)

- Anatomy of the 2008 – 2009 financial crisis and recession
- What lead to the crisis and its aftermath

In-class Movie (!): 'Inside Job' (2010, Sony Pictures Classics)

At the end of each chapter you will find numerous exercises labeled ‘Questions for Review’ and ‘Problems and Applications.’ Below you will find a list of recommended exercises associated with each chapter. The solutions for all exercises can be found on the E-Learning web-page under the ‘Solutions’ tab. To do well in this course you need to master these exercises.

Chapter	Page	Questions for Review	Problems and Applications
Chapter 1 The Science of Macroeconomics	14-15	1, 2	2, 3
Chapter 2 The Data of Macroeconomics	43-45	1, 2, 3, 5	2, 4, 7, 8, 9, 10
Chapter 3 National Income	77-79	1, 5, 6, 7, 8	8, 10, 11
Chapter 4 The Monetary System	102	1, 2, 3, 5, 6	None
Chapter 5 Inflation: It’s Causes, Effects, and Social Costs	133-134	1, 2, 4, 7	1, 6
Chapter 6 The Open Economy	170-171	1, 2, 3, 4,	2, 3, 4, 5, 6
Chapter 10 Introduction to Economic Fluctuations	308-309	1, 3, 4	2, 3 (<i>part b only</i>)
Chapter 11 Aggregate Demand I: Building the IS-LM Model	335-336	1, 2, 3, 4	1, 2, 5, 6
Chapter 12 Aggregate Demand II: Applying the IS-LM Model	362-364	1, 2, 3	1, 3, 6, 7, 8
Chapter 13 Appendix A Short-Run Model of the Large Open Economy	406	N/A	1, 3

Professional Etiquette: In order to provide a productive environment conducive to everyone’s learning, adherence to the following guidelines is expected:

- Cellular phones are to be turned off, as it is very disruptive when these devices ‘go off’ during class. No txt-ing or any other use of cellular devices is permitted or tolerated in class. So please take a moment to turn off your devices before the class begins;
- You should discontinue the use of any tablets, laptops, and touch-screen devices before the class begins;
- Students are expected to be on-time for class. It is disruptive when students arrive late – not to mention disrespectful to myself and your fellow students;
- Leaving class early without prior permission is not tolerated;
- You should avoid talking amongst each other once the lectures begin (this includes conversations about the material and the class itself);
- While laptops, tablets, or similar devices are wonderful study tools and invaluable assets in our modern world, they are not allowed in class (not even for note-taking).

If you cannot comply with these simple expectations, you may be asked to leave the classroom and you will be counted as absent. Dr. Sandberg reserves the right to penalize any student violating these rules by deducting points from the student’s grade as appropriate.

Evaluation of Performance and Grading

Grades: You have the *opportunity* to earn up to 400 points throughout the semester. The applicable grading scale is outlined below. Your final grade for AEB3281 will be based on the following:

100 <i>possible</i> points	Exam 1
100 <i>possible</i> points	Exam 2
100 <i>possible</i> points	Exam 3
20 <i>possible</i> points	In-class Project
80 <i>possible</i> points	Current Event Reports
400 <i>possible</i> total points	

A	(≥ 372)	C	(292 - 307)
A-	(360 - 371)	C-	(280 - 291)
B+	(348 - 359)	D+	(268 - 279)
B	(332 - 347)	D	(252 - 267)
B-	(320 - 331)	D-	(240 - 251)
C+	(308 - 319)	E	(≤ 239)

Please note that grades are not ‘rounded’ or ‘adjusted’ at the end of the term. Hagglng over grades at the end of the semester is NOT entertained. Of course, if I did a mistake in grading your exam I will gladly give you the correct points. If you believe that your exam is incorrectly graded or that your grade is incorrectly posted, please contact me via e-mail (i.e., in writing) as soon as possible. You have 7 days after the grade has been posted to voice your concern. After 7 days have passed, your posted grade will be assumed to be correct and accurate.

Exams: There will be three (3) regular in-class exams. Each exam is worth 100 points. The exams will consist of combinations of multiple choice, short-answer and essay/problem-solving questions. The exams are closed book and closed notes. While you may need a calculator for the exams, **graphing calculators, cell phones, touch-screen devices, or laptops are not allowed.** Sharing calculators during an exam is not allowed. Exams are administered in our regular classroom.

There will be an **optional comprehensive Final Exam** on **Wednesday December 16 at 10:00am** (please make note of the time!), also worth 100 points. The Final Exam is administered in our regular classroom. The Final Exam is exclusively multiple-choice. The Final Exam may replace your lowest test score out of the three regularly scheduled mid-term exams, if it is to your advantage. Taking the Final Exam can, therefore, never count against you. If you miss any of the regular two exams regardless of reason, the Final Exam will count in its place. Make-up exams not entertained. Early or late exams are not given. However, university athletes are allowed to make up exams missed due to official university sporting events pending ample advanced WRITTEN notification (at least 7 days prior to a scheduled exam).

Exam Dates:

Exam 1:	Wednesday September 30 @ 12:50pm
Exam 2:	Monday October 26 @ 12:50pm
Exam 3:	Monday November 23 @ 12:50pm
(Optional) Final Exam:	Wednesday December 16 @ 10:00am

Exam dates are subject to change at the discretion of the instructor. Any changes will be communicated via E-learning Sakai and via the Gatorlink listserv.

Exam day policy: It is expected that all students be on time to exams. Please arrive early, if possible, to get seated and get your books/bags stowed away so that the exam can be started on the stated time. If you need to use the bathroom, please do so before the exam begins. Students are not allowed to leave the classroom during exams and re-enter the classroom. No one will be allowed to enter the classroom to begin the exam after the first student has turned in their finished exam. This policy also applies to the Final Exam.

Current Event Reports: Four (4) Current Even Reports are due during the semester. Each report is worth 20 points. These reports must be typed, double spaced, using font size 12, one inch margins (i.e., standard Microsoft Word default margin settings), properly referenced (e.g., MLA or APA style), and checked for grammar and spelling. Handwritten reports are not accepted. Each report should be at least three (3) typed pages in length (excluding the cover-sheet and references). The Current Event Reports are individual assignments. Turning in the same assignment as some other student in class constitutes cheating and will be treated as such. Current Event Reports will be graded on **content, grammar, spelling, referencing, and style.**

For each report, you are to find three (3) recent news articles, either in print-press (for example: The New York Times, The Economist, the Wall Street Journal, etc.) or online (for example: www.cnn.com, www.msnbc.com, www.foxnews.com, www.nyt.com, etc.) pertaining to some macroeconomic issues of your choice. The University of Florida Library should have plenty of sources available, if you prefer print journalism. You should feel free to choose any articles that interest you, pending that they are dealing with macroeconomics. The articles you chose **MUST NOT** be more than 20 days old from the due date of the report. Papers using older articles will automatically be given a grade of 0. If the article does not have a clear publication date, source, author, etc, do not use it. Blogs of any kind may not be used and would result in a grade of 0. Be careful about this!

Each *Current Event Report* has four (4) components – all 4 components are required for full credit:

1. Attach a separate typed cover-sheet with your name AND the name of the articles. Not counted in the three page requirement.
2. Provide a summary (typed, double spaced, font size 12) of the three articles in your own words (just copying sentences from the article is plagiarism and is NOT considered a summary). You must also include the full reference information for your articles (i.e., author, source, and date of publication). Note that any reference information does not count towards the page requirement.
3. Provide an analysis (typed, double spaced, font size 12) of how the three articles relate to the material covered in class. Be sure to address how the tools/concepts discussed in class pertain to your articles and what concepts are illustrated by the articles. Feel free to draw your own conclusions based on what we have talked about in class.
4. Attach photocopies (or print-outs) of the three articles.

The Current Event Reports are due **NO LATER THAN 12:50pm** (i.e., BEFORE the class officially begins) on the announced due dates. E-mailed submissions are not accepted. The Current Event Reports should be placed in a NEAT pile on the podium in front of the classroom. Early submissions are encouraged. You may simply slide your completed report under my office door or hand it to me in person.

Current Event Report Due Dates:

Current Event Report 1:	Friday September 25
Current Event Report 2:	Friday October 16
Current Event Report 3:	Wednesday November 4
Current Event Report 4:	Friday November 20

In-class Project: Towards the end of the semester, we will watch a movie in class, namely *Inside Job* from Sony Pictures Classics. It won the Academy Award (i.e., the Oscar) ® for ‘Best Documentary Feature’ in 2011. In conjunction with viewing the film, we will do an in-class project, worth a total of 20 points. The movie and the project will be administered in-class during the Monday November 30, Wednesday December 2, and Friday December 4. **There are no make-up opportunities given for this assignment.** Exceptions will be made for student participating in official UF sponsored events requiring their participation, i.e., University athletes or certain Student Government officials. More details about the project will be provided in class.

Other Important Information

Students are responsible for all deadlines/critical dates and policies set forth by the University of Florida. Deadlines/critical dates are published on the University of Florida Office of the University Registrar’s web-site, <http://www.registrar.ufl.edu/>. Current academic policies are presented in the University of Florida Undergraduate Catalog, <https://catalog.ufl.edu/ugrad/current/Pages/home.aspx>.

Students Requesting Classroom Accommodation: The Disability Resource Center coordinates the needed accommodations of students with disabilities. This includes registering disabilities, recommending academic accommodations within the classroom, accessing special adaptive computer equipment, providing interpretation services and mediating faculty-student disability related issues. Please contact this office at 0020 Reid Hall, 392-8565, www.dso.ufl.edu/drc/. Any student requesting accommodation will have to provide documentation from the Disability Resource Center. Test taking accommodation will be provided at the Disabilities Resource Center only.

UF Counseling Services: The life of a college student can sometimes be overwhelming. Resources are available on-campus to help students manage personal issues or gain insight into career and academic goals. Students experiencing crises or personal problems that interfere with their general well-being are encouraged to utilize the university’s various counseling resources. The following resources are available for all UF students:

- For general student affairs: Dean of Students Office, 392-1261 (after hours, please call 392-1111);
- For mental health consultations: Counseling & Wellness Center, 392-1575 (24/7 phone access);
- For students experiencing distress: U Matter, We Care, 294-2273, www.umatter.ufl.edu;
- For physical health consultations: Student Health Care Center, 392-1161;
- For victims of sexual assault: Office of Victim Services, 392-5648 (after hours, please call 392-1111);
- For career guidance: Career Resource Center, 392-1602, www.crc.ufl.edu.

Software Use: All faculty, staff, and students of the University of Florida are required and expected to obey the laws and legal agreements governing software use. Failure to do so can lead to monetary damages and/or criminal penalties for the individual violator. Because such violations are also against University policies and rules, disciplinary action will be taken as appropriate.

Academic Honesty: In 1995 the UF student body enacted an honor code and voluntarily committed itself to the highest standards of honesty and integrity. When students enroll at the university, they commit themselves to the standard drafted and enacted by students. In their words, **the Honor Code Preamble:** In adopting this honor code, the students of the University of Florida recognize that academic honesty and integrity are fundamental values of the university community. Students who enroll at the university commit to holding themselves and their peers to the high standard of honor required by the honor code. Any individual who becomes aware of a violation of the honor code is bound by honor to take corrective action. The quality of a University of Florida education is dependent upon community acceptance and enforcement of the honor code.

The Honor Pledge: We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honesty and integrity.

On all work submitted for credit by students at the university, the following pledge is either required or implied: **"On my honor, I have neither given nor received unauthorized aid in doing this assignment."** The university requires all members of its community to be honest in all endeavors. A fundamental principle is that the whole process of learning and pursuit of knowledge is diminished by cheating, plagiarism and other acts of academic dishonesty. In addition, every dishonest act in the academic environment affects other students adversely, from the skewing of the grading curve to giving unfair advantage for honors or for professional or graduate school admission. Therefore, the university will take severe action against dishonest students. Similarly, measures will be taken against faculty, staff and administrators who practice dishonest or demeaning behavior.

Student Responsibility: Students should report any condition that facilitates dishonesty to the instructor, department chair, college dean or Student Honor Court.

Faculty Responsibility: Faculty members have a duty to promote honest behavior and to avoid practices and environments that foster cheating in their classes. Teachers should encourage students to bring negative conditions or incidents of dishonesty to their attention. In their own work, teachers should practice the same high standards they expect from their students.

Administration Responsibility: As highly visible members of our academic community, administrators should be ever vigilant to promote academic honesty and conduct their lives in an ethically exemplary manner. This policy will be vigorously upheld at all times in this course.

This policy will be vigorously upheld at all times in this course. Any instances of academic dishonesty will be reported to Student Judicial Affairs.

By enrolling in this course you are agreeing to the terms outlined in this syllabus.

I wish everyone a rewarding and productive semester ☺

GO GATORS!!!