University of Florida  
Food and Resource Economics Department  

AEB3281 Agricultural Macroeconomics  

Fall Term 2012  

Section: 8084  
3 Credit Hours  

MWF 3:00 – 3:50pm  
Classroom: MAT 018 (Matherly Hall)  

Instructor and Contact Information  

Instructor: Dr. Mikael Sandberg  
Office: 1179 McCarty Hall A  
Phone: (352) 294-7637  
Office Hours: Monday, Wednesday, Friday 10:30am – 11:30am, and Thursday 2:00pm – 4:00pm  
E-mail: sandberg@ufl.edu  

Given other professional obligations this term, availability outside of posted office hours will be limited. However, if posted office hours are not convenient, please feel free to e-mail me for an appointment.  

11:30am – 12:50pm is reserved for administrative duties, preparing for classes, and lunch. Please do not disturb.  

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 Ms. Anne Marie Mattison, the FRE department’s Undergraduate Adviser. Ms. Mattison is advising for all FRE specializations, see contact information below.  

FRE Program Assistant: Kathy Green; 1197 McCarty Hall A; (352) 294-7640; E-mail: kagreen1@ufl.edu  

Undergraduate Adviser: Anne Marie Mattison; 1195 McCarty Hall A; (352) 294-7638; E-mail: mattison@ufl.edu  

Teaching Assistant: Mr. Serhat Asci; 1172 McCarty Hall A; E-mail: sasci@ufl.edu; Office Hours: TBA.  

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 policies 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 the student’s responsibility to stay informed about any changes.
General Course Information


The textbook is required. There are substantial revisions vis-à-vis previous editions, so purchasing older editions is *not* recommended.

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.

Prerequisite: ECO2013 Principles of Macroeconomics, or the equivalent.

Format: AEB3281 is an analytical course and it will be delivered via ‘traditional’ means; i.e., the course will be taught using lectures and discussions. Theories and frameworks will be presented in class and we will address their derivations as well as their applicability. Reading the book regularly and keeping up with news in general (and economic news in particular) is imperative to get the most out of your experience in this course.

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 and diligent manner. Class will promptly start at 3:00pm. Arriving late or leaving early without prior consent is *not* tolerated and is considered unprofessional behavior (see the ‘Professional Etiquette’ section of the syllabus).

“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
**Course Objectives and Structure**

**Course Objectives:** The purpose of this course is to help students become better ‘economic citizens’ and for students to realize the importance of the macroeconomic environment in managerial decision making.

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 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;

**Tentative Course Outline:** This outline may be altered as deemed appropriate by the instructor. Any changes will be communicated in class.

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

I. **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.

II. **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.

III. **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.
I. Basic Macroeconomic Foundations and Statistics

Ch 1: The Science of Macroeconomics (pp. 3 – 15)
- Scope of Macroeconomic Analysis
- Macroeconomic Models
  - Endogenous and Exogenous variables

Ch 2: The Data of Macroeconomics (pp. 17 – 41)
- 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 – 63)
- 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
    - Marginal propensities to consume and save
  - Investment function
- Economy-wide equilibrium
- Interest rate determination
- Savings and investment analysis
- Impact of fiscal policy: a preliminary approach

Ch 6: The Open Economy (pp. 133 – 163; you can skip pp. 159 – 161)
- 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
  - Nominal exchange rates
  - Real exchange rates
    - Determining exchange rates
    - Impact of fiscal policy and trade policy
    - ‘Twin deficits’
- Open-economy equilibrium

Ch 4: The Monetary System: What It Is and How It Works (pp. 81 – 99; you can skip pp. 87 – 93)
- Functions of money
  - Nature of fiat money
- Monetary authorities and the Central Bank
  - The Federal Reserve System
o Policy instruments of the Federal Reserve
  ▪ Open market operations, discount rate, reserve requirements

Ch 5: Inflation: It’s Causes, Effects, and Social Costs (pp. 101 – 128; you can skip pp. 114 – 116)
• Inflation
• Quantity theory of money
  o Relationship between the money supply and the price level
  o Fisher effect: Inflation and interest rates

III. Business Cycles and Economic Fluctuations: Keynesian Macroeconomics

Ch 10: Introduction to Economic Fluctuations (pp. 273 – 300)
• 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
  ▪ Policy response and dynamics

Ch 11: Aggregate Demand I: Building the IS-LM Model (pp. 303 – 325)
• Keynesian cross
  o Government spending multiplier effect
  o Tax multiplier effect
  o Derivation of the IS-curve
• Keynesian money market model
  o Derivation of the LM-curve
• Short-run economic equilibrium
  o Determination of income and interest rates

Ch 12: Aggregate Demand II: Applying the IS-LM Model (pp. 327 – 352)
• Explaining economic fluctuations
  o Impact of fiscal policy
  o Impact of monetary policy
  ▪ Interaction between policies and policy mixes
  ▪ The Liquidity Trap
• The Great Depression
• Financial Crisis of 2008 – 2009 and economic slowdown.

Ch 13 Appendix: A Short-Run Model of the Large Open Economy (pp.390 – 394)
• Business cycles in a large open economy
  o Impact of fiscal policy, monetary policy, and trade policy

Ch 20: The Financial System: Opportunities and Dangers (pp. 569 -590)
• Anatomy of the 2008 – 2009 financial crises and economic slowdown

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 a list of recommended exercises associated with each chapter. The solutions for all exercises can be found on the E-Learning Sakai web-page under the ‘Solutions’ tab.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
<th>Questions for Review</th>
<th>Problems and Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1 The Science of Macroeconomics</td>
<td>16</td>
<td>1, 2</td>
<td>2, 3</td>
</tr>
<tr>
<td>Chapter 2 The Data of Macroeconomics</td>
<td>42</td>
<td>1, 2, 3</td>
<td>2, 4, 6, 7, 9</td>
</tr>
<tr>
<td>Chapter 3 National Income</td>
<td>78</td>
<td>1, 5, 6, 7, 8</td>
<td>8, 10, 11</td>
</tr>
<tr>
<td>Chapter 4 The Monetary System</td>
<td>100</td>
<td>1, 2, 3, 5, 6</td>
<td>None</td>
</tr>
<tr>
<td>Chapter 5 Inflation: It’s Causes, Effects, and Social Costs</td>
<td>128</td>
<td>1, 2, 4</td>
<td>1, 4</td>
</tr>
<tr>
<td>Chapter 6 The Open Economy</td>
<td>164</td>
<td>1, 2, 3, 4,</td>
<td>2, 3, 4, 5, 7</td>
</tr>
<tr>
<td>Chapter 10 Introduction to Economic Fluctuations</td>
<td>301</td>
<td>1, 3, 4</td>
<td>2, 3 (part b only)</td>
</tr>
<tr>
<td>Chapter 11 Aggregate Demand I: Building the IS-LM Model</td>
<td>325</td>
<td>1, 2, 3, 4</td>
<td>1, 2, 5, 6</td>
</tr>
<tr>
<td>Chapter 12 Aggregate Demand II: Applying the IS-LM Model</td>
<td>352</td>
<td>1, 2, 3</td>
<td>1, 3, 5, 6, 7</td>
</tr>
<tr>
<td>Chapter 13 Appendix A Short-Run Model of the Large Open Economy</td>
<td>394</td>
<td>N/A</td>
<td>1, 3</td>
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**Evaluation of Performance and Grading**

**Grades:** You have the opportunity to earn up to 280 points throughout the semester. Your final grade for AEB3281 will be based on the following:

<table>
<thead>
<tr>
<th>Points</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>100</td>
<td>Exam 1</td>
</tr>
<tr>
<td>100</td>
<td>Exam 2</td>
</tr>
<tr>
<td>20</td>
<td>In-class Project</td>
</tr>
<tr>
<td>60</td>
<td>Current Event Reports</td>
</tr>
<tr>
<td>280</td>
<td>Total Points</td>
</tr>
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Final course grade will have the following benchmarks out of the 280 possible grade points:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
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<tbody>
<tr>
<td>A</td>
<td>(≥ 260)</td>
</tr>
<tr>
<td>A-</td>
<td>(252 - 259)</td>
</tr>
<tr>
<td>B+</td>
<td>(243 - 251)</td>
</tr>
<tr>
<td>B</td>
<td>(232 - 242)</td>
</tr>
<tr>
<td>B-</td>
<td>(224 - 231)</td>
</tr>
<tr>
<td>C+</td>
<td>(215 - 223)</td>
</tr>
<tr>
<td>C</td>
<td>(204 - 214)</td>
</tr>
<tr>
<td>C-</td>
<td>(196 - 203)</td>
</tr>
<tr>
<td>D+</td>
<td>(187 - 195)</td>
</tr>
<tr>
<td>D</td>
<td>(176 - 186)</td>
</tr>
<tr>
<td>D-</td>
<td>(168 - 175)</td>
</tr>
<tr>
<td>E</td>
<td>(≤ 167)</td>
</tr>
</tbody>
</table>
Please note that grades are not ‘rounded’ or ‘adjusted’ at the end of the term. Grades are not negotiable. If you believe that your exam is incorrectly graded or that your grade is incorrectly posted, mistakes do happen, 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 and I will be happy to look into the issue for you. After 7 days have passed, your posted grade will be assumed to be correct and accurate.

For general information about grading and the grading policy at the University of Florida, please refer to: http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html.

**Exams**: There will be two (2) 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. You may need a calculator for the exams. However, graphing calculators, cell phones, laptops or similar devices 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 12 at 5:30pm – 7:30pm, also worth 100 points (please make note of the time). The final exam is exclusively multiple-choice. The optional final exam will replace your lowest test score out of the two regular exams, if it is to your advantage. Taking the final exam can therefore never count against you. Instead, it is purely to your advantage to take the final exam. If you miss any of the regular two exams regardless of reason, the comprehensive final exam will count in its place. Make-up exams are, therefore, not entertained.

**Exam Dates:**
- Exam 1: Friday October 5 @ 3:00pm
- Exam 2: Wednesday November 28 @ 3:00pm
- (Optional) Final Exam: Wednesday December 12 @ 5:30pm

Please make a note of the time of the final exam! Early or late exams are not given. Exam dates are subject to change at the discretion of the instructor. Any changes will be communicated in class, on E-learning Sakai, and via the Gatorlink listserv.

**Exam day policy**: It is expected that all students are 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. Leaving the classroom during exams is not allowed; please make sure you use the restroom, if needed, before the exam begins. NO ONE WILL BE ALLOWED TO ENTER THE CLASSROOM TO BEGIN THE EXAM AFTER THE FIRST STUDENT HAS TURNED IN THEIR FINISHED EXAM.

**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 Friday November 30, Monday December 3, and Wednesday December 5. **There are no make-up opportunities given for this assignment.** More details about the project will be provided in class.
**Current Event Reports**: Four (4) Current Event Reports are due during the semester. Each report is worth 15 points. These reports must be typed, double spaced, using font size 12, one inch margins (i.e., standard Microsoft Word default margin settings), and checked for grammar and spelling. Handwritten reports are not accepted. Each report should be at least a total of 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, 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, or 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 10 days old at the time of submission of your paper. Papers using older articles will be given a grade of 0.

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 3:00pm (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.

**Current Event Report Due Dates:**

<table>
<thead>
<tr>
<th>Current Event Report 1:</th>
<th>Friday September 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Event Report 2:</td>
<td>Friday September 28</td>
</tr>
<tr>
<td>Current Event Report 3:</td>
<td>Friday November 2</td>
</tr>
<tr>
<td>Current Event Report 4:</td>
<td>Monday November 19</td>
</tr>
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</table>
**Professional Etiquette**: In order to provide a productive and stimulating 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 other portable electronic equipment once the class period begins.
- Students are expected to be on-time for class.
- Leaving class early without prior consent of the instructor is not tolerated. It is disrespectful.
- You should avoid talking amongst each other once the lectures begin (this includes conversations about the material and the class itself). If you have any questions during class about the material, please raise your hand and I will be happy to address any concerns you may have.
- You should NOT read the Alligator or any other newspaper in the classroom once the class period begins.
- You should NOT work on assignments for any other classes once the lectures begin.
- No laptops are allowed in class.

If you cannot abide by these simple rules you may be asked to leave the classroom. I also reserve the right to penalize any student continuously violating these rules by deducting points from your final course grade at my discretion.

**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.

**Software Use**: All faculty, staff and students of the university 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.

**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.
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, call 392-1111)
- For mental health consultations, Counseling & Wellness Center, 392-1575 (24/7 phone access)
- For physical health consultations, Student Health Care Center, 392-1161
- For victims of sexual assault, Office of Victim Services, 392-5648 (after hours, call 392-1111)
- For career guidance, Career Resource Center, 392-1602, www.crc.ufl.edu

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. 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. Please feel free to contact me should you have any questions or concerns.

I wish everyone a productive and rewarding semester! 😊