

EC 134
PRINCIPLES OF MACROECONOMICS
SYLLABUS

Colby College
Department of Economics
Spring 2009

Professor: Guillermo Vuletin

Email: gvuletin@colby.edu

Office: Diamond 359

Lecture time and location: Mondays and Wednesdays 2:30 – 3:45 pm, DIAM 145 (Section C).

Mondays and Wednesdays 7:30 – 8:45 pm, DIAM 145 (Section D).

Discussion section time and location: Tuesdays 7:30 – 8:20 pm, KEYE 105. *There will be no discussion section on Tuesday, February 10.*

Office hours: Mondays and Wednesdays 4:30 – 6:30 pm.

TA: Lee Cong

TA's office hours: Tuesdays 2:00–5:00 pm, room TBA

Course web page: http://author.colby.edu/academics_cs/courses/EC134D

Description

The aim of this course is to provide you with a good understanding of how the macroeconomy works. In order to achieve this aim we will understand basic macroeconomic concepts (including output, employment, inflation, consumption and investment) and develop models that explain their behavior. In the context of such models we will also address the role of government and policymakers in terms of fiscal and monetary policies.

Course objectives

By the end of the course, students are expected to i) learn the language and terminology of macroeconomics, ii) understand basic models of macroeconomics, iii) evaluate and comment macro news that appear in the New York Times, Wall Street Journal, etc., iv) develop a set of problem-solving and analytical skills to solve problems in other fields of study and everyday decisions.

Text

Principles of Macroeconomics (8th Edition) by Karl E. Case and Ray C. Fair

Course policies

Course web site: You should frequently access the course web site to find updated course information. There, you will find copies of the notes used in lectures, problem sets and their solutions and postings of important announcements. The mentioned material is not intended to be a substitute for attending lectures or discussion sections.

Office hours: Mondays and Wednesdays 4:30 – 6:30 pm, Diamond 359. If you need to meet with me and cannot make one of those times, please schedule an appointment by email.

If you feel that you are not making as good progress in the course as you should, please talk to me as soon as possible. It is my job to help you understand the material and this is the reason why office hours are held, so make use of them. Do not wait until the week before the exam!

Class and exam attendance: I do not take attendance. However, I expect students to attend all classes (including discussion sections) and actively participate in class discussions. Please note ahead the scheduled dates of exams. Unexcused absences from exams will result in a zero grade. Acceptable reasons for missing an exam include critical emergencies, athletic trips or illness. If some athletic event overlaps with a course exam please contact me as soon as you know about such event (at least one week in advance) so I can help you to resolve the problem.

Grading policy: The grades for this course will be based on 3 exams (2 semester exams and 1 final), problem sets, quizzes and class participation. Both semester exams *will not* be cumulative but the final exam *will* be. All exams will include multiple-choice questions along with graphing and short questions. The first semester exam will be Wednesday, March 11 (during class time in regular classroom). The second semester exam will be Wednesday, April 29 (during class time in regular classroom). The final exam date and location will be announced later. Late problem sets will not be accepted. There will not be extra credit assigned for this course. Your final grade will be determined as follows:

Problem sets	15%
Quizzes	10%
Semester exam 1	20%
Semester exam 2	20%
Final exam	30%
Class participation	5%

Academic honesty: Colby's policy on academic honesty can be found in http://www.colby.edu/academics_cs/catalogue/2005_2006/academic_program/aca_procedures.cfm. I encourage you to work with other classmates; however, all problem sets (and exams!) must be your own.

Electronic device policy: Please turn off all electronic devices during class. If there is a legitimate reason for you to be within reach during class times, please see me prior to using the cell phone.

Calculator: You will need a calculator for computations during exams. However, my exams are closed-book and close-note, which means that I can't let you use programmable calculators that can store formulas and equations. Therefore, you **MUST HAVE** a cheap, low-tech, non programmable calculator to use during exams. If you are not sure whether your calculator qualifies, show me your calculator at least one week before the exam.

Course outline

When the assigned chapter number is followed with an “A”, the appendix of that chapter is part of the required reading list (e.g., “1A” means that you must also read the appendix of chapter one).

<u>Topic</u>	<u>Textbook chapters</u>
I. INTRODUCTION TO ECONOMICS	
A. What is Economics? Scarcity and choice	1, 1A, 2
B. Supply, demand and market equilibrium	3, 4
II. INTRODUCTION TO MACROECONOMICS	
A. Overview	5
Size does matter: In Defense of Macroeconomics (Krugman 1998, 1.pdf)	
Babysitting the Economy (Krugman 1998, 2.pdf)	
Big Questions and Big Numbers (Economist 2006, 3.pdf)	
B. Measurement of key macroeconomic variables	6, 7
Feeling the Heat (Economist 2006, 4.pdf)	
Measuring the Informal Economy in Latin America and the Caribbean (Vuletin 2008, 5.pdf)	
It’s the Taking Part That Counts (Economist 2005, 6.pdf)	
Grossly Distorted Picture (Economist 2006, 7.pdf)	
III. MACROECONOMIC EQUILIBRIUM IN A FIXED PRICE MODEL: SORT-RUN ANALYSIS	
A. The goods market	8, 8A, 9, 9A
Consumers to the Rescue (Economist 2001, 8.pdf)	
Investigating Investment (Economist 1998, 9.pdf)	
When it Rains, it Pours: Procyclical Capital Flows and Macroeconomic Policies (NBER 2004, 10.pdf)	
Why the War Against Terror Will Boost the Economy (Barro 2001, 11.pdf)	
B. The money market	10, 11
Some Monetary Facts (Federal Reserve of Minneapolis 1995, 12.pdf)	
C. The goods and money markets together (The IS-LM model)	12
A Blunt Tool (Economist, 2001 13.pdf)	
IV. MACROECONOMIC EQUILIBRIUM IN A FLEXIBLE PRICE MODEL: LONG-RUN ANALYSIS	
A. Determination of the price level (The AS-AD model)	13
A Thinker’s Guide (Economist 2000, 14.pdf)	
Unstoppable (Economist 2004, 15.pdf)	
Running out of Gas (Economist 2008, 16.pdf)	
B. Labor Market	14
Be Productive-Hit the Beach (Newsweek 2001, 17.pdf)	
V. MACROECONOMIC ISSUES AND POLICY	15, 19
VI. LONG-RUN GROWTH	18