

PRINCIPLES OF MACROECONOMICS

[ECON-51]

FALL 2008

Instructor: Professor Ludwig Chincarini, CFA, Ph.D.

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Office Hours: Carnegie 208 (Mon & Wed 4:15 – 5:30 PM or by request).

Class Hours & Location: Mon & Wed, 1:15 – 2:30 PM, CA 107

Prerequisites: None.

Course Description: *The course is on modern market economies. Emphasizes the determination of national income; fluctuations and growth; the monetary system; the problems of inflation and unemployment; and international trade.*

Course Objective: *To be able to understand basic macroeconomics.. To be able to read the newspaper or internet and understand issues related to the domestic economy, world trade or world investments. To be able to have an intelligent conversation about causes and consequences of various economic events.*

Required Text:

Baumol, William J. and Alan S. Blinder. *Macroeconomics: Principles and Policy*, 10th Edition or 11th Edition), Thomson South Western.

Reader (Soft Copy): A compilation of articles relevant to the course will be posted on Sakai for use as a reader companion.

Other Reading: Students are **strongly encouraged** to read the Wall St. Journal. Students can sign up for a subscription with me. Barrons is another interesting journal that students should consider.

Handouts: Depending on current news topics, handouts relevant to the material will be distributed to students throughout the semester. It will be the students' responsibility to obtain any missed handouts due to absence at a particular class.

A Note on Academic Honesty: Cheating is against the implicit honor code of Pomona College. Thus, projects, exams, quizzes, and homework should be done with complete integrity. If a case of cheating is detected, it will result in my reporting the act to the university administration. It can also lead to a failing grade in the course. Any act of plagiarism is a serious break of academic standards and a deliberate case can lead to suspension or expulsion. Any quotation from another source, whether written or spoken, must be bound by quotation marks and footnoted. Paraphrases must be footnoted as well. Generally, cite the use of words or work by others.

Other Non-required Text Books:

1. Blanchard, Olivier. *Macroeconomics*. 4th Edition. Prentice Hall, 2005.
2. McConnell, Campbell R., McConnell, R.C., and Stanley Brue. *Macroeconomics*, 16th Edition, McGraw-Hill, 2004.

Course Requirements and Grading:

Class Participation:	5%
Mid-Term:	40%
Group Project:	0%
Final Exam:	50%
Assignments:	5%

Further Notes:

- **Class participation** consists of attendance, making comments, answering questions, and or posing questions during class. I may randomly call on people. Please come to class on time for consideration of your professor and fellow students.
- The **Final Exam** will cover all material covered after the mid-term.
- **Student Presentations** will consist of presentations by individual students every class on real-world events related to concepts we are discussing in class. This will count as part of the class-participation part of the grade.
- **Assignments** will be given so that students can practice answering questions over the material studied, but *will not be graded*. I will keep track of people who do homework in order to determine borderline grades. Students are encouraged to pay attention to **financial news** as some questions may be linked to current financial market events.
- **Writing improvement** is given by the Pomona Writing Center at Smith Campus Center 216. The website is <http://writing.pomona.edu/writingcenter>. It is a complimentary service to help you with writing.

Organization and Course Outline¹²

Key: * - required reader article

** - optional reader article

Session 1: September 3, 2008

1. **Intro to course**
2. **What is Economics**
Reading: Chapters 1. B&B.
3. **The Economy: Myth and Reality**
Reading: Chapters 2. B&B.

Session 2: September 8, 2008

4. **Scarcity and Choice**
Reading: Chapters 3. B&B.
Reader: Why Taxes are Bad: The Logic of Efficiency. *The Armchair Economist*, Landsburg, Steven

Session 3: September 10, 2008

5. **Supply & Demand**
Reading: Chapters 4. B&B.

Session 4: September 15, 2008

6. **An Introduction to Macroeconomics**
Reading: Chapters 5. B&B.
Reader: Beer, Fries, and Globalization. *The UnderCover Economist*, Tim Hartford.

Session 5: September 17, 2008

7. **The Goals of Macroeconomic Policy**
Reading: Chapter 6, B&B.

¹ In all cases, dates are the most probable, but again this could change as the semester evolves.

² We will miss class on the following days: March 17 and March 19 (Spring Recess).

Session 6: September 22, 2008**8. Economic Growth**

Reading: Chapter 7, B&B.

Macro_51_1. Jones, Charles and Robert Hall. "Why Do Some Countries Produce So Much More Output than Others." *Quarterly Journal of Economics*, February 1999.*

Session 7: September 24, 2008**9. Aggregate Demand**

Reading: Chapter 8, B&B.

Session 8: September 29, 2008**10. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

Session 9: October 1, 2008**11. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

Session 10: October 6, 2008**12. Aggregate Supply**

Reading: Chapter 10, B&B.

Session 11: October 8, 2008**13. Fiscal Policy**

Reading: Chapter 11, B&B

Macro_51_2. "Historical Effective Tax Rates: 1979-2004." *December, 2006.**

Macro_51_3. Krugman, Paul. "Budget Deficit." *Peddling Prosperity*. W.W. Norton and Company, 1994.*

14. Review for Mid-Term

Session 12: October 13, 2008

15. Mid-Term Examination

Session 13: October 15, 2008

16. Money, Money, Money

Reading: Chapter 12, B&B.

Macro_51_4. Krugman, Paul. "The International Role of the Dollar." *Currencies and Crises*. MIT Press, 1995.*

**** October 20: Fall Recession – No Class ****

Session 14: October 22, 2008

17. Monetary Policy

Reading: Chapter 13, B&B.

Session 15: October 27, 2008

18. Monetary Policy

Reading: Chapter 13, B&B.

**** October 23, 2008 Last Day to Drop Classes ****

Session 16: October 29, 2008

19. Monetary or Fiscal Policy?

Reading: Chapter 14, B&B.

Macro_51_5. Chincarini, Ludwig and David Bieri. "Riding the Yield Curve: A Variety of Strategies." *Journal of Fixed Income*. September, 2005.*

Macro_51_6. Kydland, Finn and Edward Prescott. "Rules rather than Discretion: The Inconsistency of Optimal Plans." *The Journal of Political Economy*. June, 1977.**

Session 17: November 3, 2008

20. **Budget Deficits**
Reading: Chapter 15, B&B.

Session 18: November 5, 2008

21. **Inflation and Unemployment**
Reading: Chapter 16, B&B.
Macro_51_7. Jacome, Luis I. "Legal Central Bank Independence and Inflation in Latin America during the 1990s." *IMF Working Paper*. 2001.*

Session 19: November 10, 2008

22. **Open Economy Macroeconomics: International Trade**
Reading: Chapter 17, B&B.

Session 20: November 12, 2008

23. **Open Economy Macroeconomics: International Trade**
Reading: Chapter 17, B&B.

Session 21: November 17, 2008

24. **Open Economy Macroeconomics: The International Monetary System**
Reading: Chapter 18, B&B

Session 22: November 19, 2008

25. **Open Economy Macroeconomics: The International Monetary System**
Reading: Chapter 18, B&B.

Session 23: November 24, 2008

26. **Exchange Rates and the Macroeconomy**
Reading: Chapter 19, B&B.

Session 24: November 26, 2008

- 27. Exchange Rates and the Macroeconomy
Reading: Chapter 19, B&B.

Session 25: December 1, 2008

- 28. Macroeconomics: Further Topics
Reading:
TBA

Session 26: December 3, 2008

- 29. Macroeconomics: Further Topics
Reading:
TBA

**** December 4 Guest Speaker. 4:15 – 6:00 PM****

Note: Attendance is mandatory – loss ½ letter grade for not attending.

Session 27: December 8, 2008

- 30. Macroeconomics: Further Topics
Reading:
TBA

Session 28: December 10, 2008

- 31. Words of Wisdom for Life
- 32. Review for Final Exam

Session 29: December 16, 2008

- 33. Final Exam. 2 – 4 P.M.

Guest Speakers³

1. Guest Speaker 1: TBA

We may have a guest speaker come to speak on the practical applications of corporate finance.

³ None of the guest speakers are confirmed.