

# PRINCIPLES OF MACROECONOMICS

[ECON-51]  
FALL 2009

**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 109

**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*, 10<sup>th</sup> Edition or 11<sup>th</sup> 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*. 4<sup>th</sup> Edition. Prentice Hall, 2005.
2. McConnell, Campbell R., McConnell, R.C., and Stanley Brue. *Macroeconomics*, 16<sup>th</sup> Edition, McGraw-Hill, 2004.

### Course Requirements and Grading:

Class Participation:	5%
Mid-Term:	30%
Group Project:	0%
Final Exam:	40%
Assignments:	25%

### 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 and *will count to 25% of your grade. I have found in the past that there is a high correlation between problem set results and exam results.* 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 Outline<sup>1</sup>

### Session 1: September 2, 2009

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 7, 2009

4. **Scarcity and Choice**  
Reading: Chapters 3. B&B.  
Reader: Econ\_51\_1. Why Taxes are Bad: The Logic of Efficiency.  
*The Armchair Economist*, Landsburg, Steven

### Session 3: September 9, 2009

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

### Session 4: September 14, 2009

6. **An Introduction to Macroeconomics**  
Reading: Chapters 5. B&B.  
Reader: Econ\_51\_2. Beer, Fries, and Globalization. *The UnderCover Economist*, Tim Hartford.

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

**Session 5: September 16, 2009****7. The Goals of Macroeconomic Policy**

Reading: Chapter 6, B&B.

Reader: Econ\_51\_3. Free Peanuts and Expensive Batteries. *The Economic Naturalist* Robert Frank

**Session 6: September 21, 2009****8. Economic Growth**

Reading: Chapter 7, B&B.

Macro\_51\_4. 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 23, 2009****9. Aggregate Demand**

Reading: Chapter 8, B&B.

**Session 8: September 28, 2009****10. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

Reader: Econ\_51\_5. Keeping Score. *Naked Economics*, Charles Wheelan.

Econ\_51\_6. Why Poor Countries are Poor. *The UnderCover Economist*, Tim Hartford.

**Session 9: September 30, 2009****11. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

## Session 10: October 5, 2009

12. **Aggregate Supply**  
Reading: Chapter 10, B&B.

## Session 11: October 7, 2009

13. **Fiscal Policy**  
Reading: Chapter 11, B&B  
Macro\_51\_7. "Historical Effective Tax Rates: 1979-2004."  
*December, 2006.\**  
Econ\_51\_8. Who's the Fairest of them All? *More Sex is Safer Sex*,  
Landsburg, Steven.  
Econ\_51\_9. Go Figure? *More Sex is Safer Sex*, Landsburg, Steven.
14. **Review for Mid-Term**

## Session 12: October 12, 2009

15. **Mid-Term Examination**

## Session 13: October 14, 2009

16. **Money, Money, Money**  
Reading: Chapter 12, B&B.  
Macro\_51\_10. Krugman, Paul. "The International Role of the  
Dollar." *Currencies and Crises*. MIT Press, 1995.\*

\*\*\* Fall Recess: No Class October 19 \*

Session 14: October 19, 2009

17. **Monetary Policy**  
Reading: Chapter 13, B&B.

Session 15: October 21, 2009

18. **Monetary Policy**  
Reading: Chapter 13, B&B.  
Econ\_51\_11. The Central Banker of the Soul. *More Sex is Safer Sex*, Landsburg, Steven.  
Econ\_51\_12. The Federal Reserve. *Naked Economics*, Charles Wheelan.  
Econ\_51\_13. Home Sweet Home: Housing Saves Us from the Stock Bubble. *Greenspan's Bubbles*, William Fleckenstein.

\*\*\* October 22, 2009: Last Day to Drop the Course \*\*\*

Session 16: October 26, 2009

19. **Monetary or Fiscal Policy?**  
Reading: Chapter 14, B&B.  
Econ\_51\_14. The Housing Hot Potato: The Real Estate Bubble Fuels the ATM. *Greenspan's Bubbles*, William Fleckenstein.  
Macro\_51\_15. Chincarini, Ludwig and David Bieri. "Riding the Yield Curve: A Variety of Strategies." *Journal of Fixed Income*. September, 2005.\*

Session 17: October 28, 2009

20. **Budget Deficits**  
Reading: Chapter 15, B&B.  
Econ\_51\_16. Income Facts and Fallacies. *Economic Facts and Fallacies*, Thomas Sowell.  
Macro\_51\_17. Krugman, Paul. "Budget Deficit." *Peddling Prosperity*. W.W. Norton and Company, 1994.

Session 18: November 2, 2009

21. Inflation and Unemployment

Reading: Chapter 16, B&B.

**\*\*November 5, 2009: Last day to decide if P/NP or for letter grade. \*\***

Session 19: November 4, 2009

22. Open Economy Macroeconomics: International Trade

Reading: Chapter 17, B&B.

Econ\_51\_18. Trade and Globalization. *Naked Economics*, Charles Wheelan.

Econ\_51\_19. The Informal Market for Personal Relationships. *The Economic Naturalist* Robert Frank.

Session 20: November 9, 2009

23. Open Economy Macroeconomics: International Trade

Reading: Chapter 17, B&B.

Session 21: November 11, 2009

24. Open Economy Macroeconomics: The International Monetary System

Reading: Chapter 18, B&B

Session 22: November 16, 2009

25. Open Economy Macroeconomics: The International Monetary System

Reading: Chapter 18, B&B.

Session 23: November 18, 2009

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

Session 24: November 23, 2009

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

Session 25: November 25, 2009

- 28. Macroeconomics: Further Topics  
Reading:

Session 26: November 30, 2009

- 29. Macroeconomics: Further Topics  
Reading:

Session 27: December 2, 2009

- 30. Macroeconomics: Further Topics  
Reading:  
TBA

Session 28: December 7, 2009

- 31. Review for Final Exam

Session 29: December 9, 2009

32. Words of Wisdom for Life

33. More Q&A for Final

Session 28: December 17, 2009

34. Final Exam. 2 – 5 P.M.

Guest Speakers<sup>2</sup>

1. Guest Speaker 1: TBA

*We may have a guest speaker come to speak.*

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<sup>2</sup> None of the guest speakers are confirmed.