

# PRINCIPLES OF MACROECONOMICS

## [ECON-51]

### SPRING 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*, 10<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:	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 Outline<sup>12</sup>

Key: \* - required reader article

\*\* - optional reader article

### Session 1: January 23, 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: January 28, 2008

4. **Scarcity and Choice**  
Reading: Chapters 3. B&B.

### Session 3: January 30, 2008

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

### Session 4: February 4, 2008

6. **An Introduction to Macroeconomics**  
Reading: Chapters 5. B&B.

### Session 5: February 6, 2008

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

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

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

**Session 6: February 11, 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: February 13, 2008****9. Aggregate Demand**

Reading: Chapter 8, B&B.

**Session 8: February 18, 2008****10. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

**Session 9: February 20, 2008****11. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&B.

**Session 10: February 25, 2008****12. Aggregate Supply**

Reading: Chapter 10, B&B.

**Session 11: February 27, 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: March 3, 2008

15. Mid-Term Examination

Session 13: March 5, 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.\*

Session 14: March 10, 2008

17. Monetary Policy

Reading: Chapter 13, B&B.

Session 15: March 12, 2008

18. Monetary Policy

Reading: Chapter 13, B&B.

*\*\*\* March 13, 2008 Last Day to Drop Classes \*\*\**

*\*\*\* March 17 & March 19: Spring Recess \*\*\**

Session 16: March 24, 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 Incomes*. 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: March 26, 2008

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

## Session 18: March 31, 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: April 2, 2008

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

## Session 20: April 7, 2008

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

## Session 21: April 9, 2008

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

## Session 22: April 14, 2008

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

## Session 23: April 16, 2008

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

Session 24: April 21, 2008

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

*\*\*\* April 23 - Last Day to file for an Incomplete \*\*\**

Session 25: April 23, 2008

- 28. Macroeconomics: Further Topics  
Reading:  
TBA

Session 26: April 28, 2008

- 29. Macroeconomics: Further Topics  
Reading:  
TBA

Session 27: April 30, 2008

- 30. Macroeconomics: Further Topics  
Reading:  
TBA

Session 28: May 5, 2008

- 31. Macroeconomics: Further Topics  
Reading:

Session 29: May 7, 2008

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

Session 30: May 12, 2008

34. Final Exam. 2 – 4 P.M.