

# PRINCIPLES OF MACROECONOMICS

## [ECON-51]

### SPRING 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:	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 21, 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: January 26, 2009

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: January 28, 2009

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

### Session 4: February 2, 2009

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

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

**Session 5: February 4, 2009****7. The Goals of Macroeconomic Policy**

Reading: Chapter 6, B&amp;B.

Reader: Free Peanuts and Expensive Batteries. *The Economic Naturalist* Robert Frank**Session 6: February 9, 2009****8. Economic Growth**

Reading: Chapter 7, B&amp;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 11, 2009****9. Aggregate Demand**

Reading: Chapter 8, B&amp;B.

**Session 8: February 16, 2009****10. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&amp;B.

Reader: Keeping Score. *Naked Economics*, Charles Wheelan.  
Third World Facts and Fallacies. *Economic Facts and Fallacies*, Thomas Sowell.Why Poor Countries are Poor. *The UnderCover Economist*, Tim Hartford.**\*\*\* No Class on February 18, 2009 \*\*\*****Session 9: February 23, 2009****11. Aggregate Demand Equilibrium**

Reading: Chapter 9, B&amp;B.

## Session 10: February 25, 2009

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

## Session 11: March 2, 2009

13. **Fiscal Policy**  
Reading: Chapter 11, B&B  
Macro\_51\_2. "Historical Effective Tax Rates: 1979-2004."  
*December, 2006.\**  
Why Equally Talented Workers Often Earn Different Salaries  
and Other Mysteries of the World of Work. *The Economic  
Naturalist* Robert Frank.  
Who's the Fairest of them All? *More Sex is Safer Sex*, Landsburg,  
Steven.  
Go Figure? *More Sex is Safer Sex*, Landsburg, Steven.
14. **Review for Mid-Term**

## Session 12: March 4, 2009

15. **Mid-Term Examination**

## Session 13: March 9, 2009

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 11, 2009

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

\*\*\* March 12, 2009: Last Day to Drop the Course \*\*\*

\*\*\* Spring Recess: No Class March 16 and March 18 \*

**Session 15: March 23, 2009****18. Monetary Policy**

Reading: Chapter 13, B&B.

The Central Banker of the Soul. *More Sex is Safer Sex*,  
Landsburg, Steven.

The Federal Reserve. *Naked Economics*, Charles Wheelan.

Home Sweet Home: Housing Saves Us from the Stock Bubble.

*Greenspan's Bubbles*, William Fleckenstein.

The Housing Hot Potato: The Real Estate Bubble Fuels the  
ATM. *Greenspan's Bubbles*, William Fleckenstein.

**Session 16: March 25, 2009****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: March 30, 2009****20. Budget Deficits**

Reading: Chapter 15, B&B.

Income Facts and Fallacies. *Economic Facts and Fallacies*, Thomas  
Sowell.\*

Macro\_51\_7. Krugman, Paul. "Budget Deficit." *Peddling  
Prosperity*. W.W. Norton and Company, 1994.\*

Session 18: April 1, 2009

21. Inflation and Unemployment  
Reading: Chapter 16, B&B.

\*\*\* April 1, 2009: Last day to decide if P/NP or for letter grade. \*\*\*

Session 19: April 6, 2009

22. Open Economy Macroeconomics: International Trade  
Reading: Chapter 17, B&B.  
Trade and Globalization. *Naked Economics*, Charles Wheelan.  
How to Save the World. *Discover Your Inner Economist* Tyler Cowen.  
The Informal Market for Personal Relationships. *The Economic Naturalist* Robert Frank.

Session 20: April 8, 2009

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

Session 21: April 13, 2009

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

Session 22: April 15, 2009

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

Session 23: April 20, 2009

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

Session 24: April 22, 2009

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

\*\*\* No Class on April 27, 2009 due to school holiday. \*\*\*

Session 25: April 29, 2009

28. Macroeconomics: Further Topics  
Reading:  
How to Read the News. *More Sex is Safer Sex*, Steve Landsburg.

Session 26: May 4, 2009

29. Macroeconomics: Further Topics  
Reading:  
TBA

Session 27: May 6, 2009

30. Words of Wisdom for Life  
31. Review for Final Exam

Session 28: May 13, 2009

32. Final Exam. 2 – 5 P.M.

Guest Speakers<sup>3</sup>

1. Guest Speaker 1: TBA

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

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<sup>3</sup> None of the guest speakers are confirmed.