

## ECONOMICS 102: PRINCIPLES OF MACROECONOMICS

PROFESSOR OLGA SHURCHKOV  
WELLESLEY COLLEGE

Fall 2012

**TIME AND LOCATION:** This class will meet on Tuesdays, Fridays, and Alt-2 Wednesdays at 11:10 AM - 12:20 PM in PNW 117. Please, check the detailed schedule below!

**ABOUT THE COURSE:** Economics 101 is a strict pre-requisite for this course. If you have not taken Economics 101 at Wellesley (or have not received transfer, IB or AP credit for Economics 101) you may not take the course. This course is designed to introduce you to macroeconomics, the study of the economy as a whole. The topics discussed in this class fall into two broad categories: issues related to the growth of the economy and issues related to periodic fluctuations in the size of the economy. Applications include financial markets, investment and consumption behavior, economic development and more. The course will also examine what role, if any, there is for economic policy in helping the economy grow smoothly. One of my main goals is to introduce you to the tools of macro that will hopefully help you read and assess articles on current economic issues in publications such as the *Wall Street Journal* and the *Economist*.

**OFFICE HOURS:** Your success in this course is extremely important to me! I will be around for questions more often than not. Please, don't hesitate to email me and set up an appointment if you can't make my regular office hours. Office hours and contact information are as follows:

**E-Mail:** olga.shurchkov@wellesley.edu [the best way of reaching me!]  
**Office:** PNE 417 (Phone: x2984)  
**Office Hours:** Mon. 4-5 PM, Thur. 3-4 PM, Fri. 1:30-2:30 PM or by appointment.

**READINGS:** The required textbook is N. Gregory Mankiw's **Principles of Macroeconomics**, 6th Edition, available at the Wellesley Bookstore. The book is a useful supplement to lectures, which are the primary learning tool in this class. If you purchase any other version of this book (like an old edition or the "brief" principles), it's up to you to match the chapters to those assigned in the detailed syllabus. In addition, you are required to read all the articles in the detailed syllabus below (posted in the Readings folder on Google Docs). I will also be posting some more recent articles as the course progresses. They will allow us to apply the material we've learned to the real world economic issues. The material from the articles will appear on problem sets and exams.

### **COURSE REQUIREMENTS:**

**Homework (20%):** There will be 6 homework assignments over the course of the semester. Your 5 best scores on these problem sets will constitute 20% of your grade, i.e. each of you will be allowed to drop the scores of one problem set. Also, please, note the following information:

- Problem sets will be posted on Google Docs by 5 PM on the date distributed. Problem sets should be handed in at the BEGINNING of class on the due date. If you fail to do so, you will not get any credit for the problem set. Solutions will be posted soon after the date due.
- You must bring any grade-related discrepancies to my attention within a week after the graded problem sets are returned to you.
- There will be no extensions granted for ANY reason. If you run into an emergency, feel free to skip a problem set – remember, only 5 problem sets will be counted.
- You are encouraged to work on problem sets with your classmates, but you MUST hand in your own uniquely written-up homework. Problem sets are representative of exams, so you will only hurt yourself by over-relying on others.

**Midterms (45%):** There will be two closed-book midterms in this course held during regular class times. The midterm with a better relative performance counts 25%, while the midterm with a worse performance counts 20%. This grading scheme is designed to give you insurance against a “bad day” performance. There will not be any makeup exams unless you inform me within the first 2 weeks of class. All grading discrepancies must be brought to my attention within two weeks after the exams are returned to you.

**Final Examination (25%):** The self-scheduled, closed-book final will constitute 25% of your grade and will take place during **EXAM WEEK**. The final will not be comprehensive.

**Class participation (10%):**

- Inputs necessary for the success of an interactive classroom:
  - Be there!
  - Be on time!
  - No gadgets! I do not allow the use of laptops, PDAs, phones etc. during class unless required for health reasons.
  - Participate! There are lots of way to accomplish this:
    - \* Ask/answer questions in class, in office hours, or via email when you may feel more comfortable doing so.
    - \* Read the news. (Post interesting articles or comments on articles. Participate in the news discussions even if it’s not your day to present – see more info below.)
- “In the News Assignment”
  - The goal of this course is for you to be able to follow economic news and analyze them critically.
  - You will choose one of the three dates (see schedule below) when you and another classmate will be responsible for presenting a recent article of your choice (the article should be no older than 3 months old).
  - Each student pair will read the article and produce a single PowerPoint slide with the article’s title, source, and brief summary of the key points. The slide and a link to the article will be due to me via email by 4PM on one of the following three dates depending on the date of discussion: **Friday, October 12th, Tuesday, November 20th, or Tuesday, December 4th**. A handout with all the slides will be distributed to all students prior to the date of discussion. All or a subset of submitted slides will be selected for in-class discussion. The students whose slides are selected will be asked to describe the article and start off the discussion. See Google Docs for a list of representative topics for the articles, as well as sample articles and corresponding slides. If there are any doubts about picking your article, the article’s relevance or anything else related to this assignment, do not hesitate to consult with me prior to the deadline.

**GRADING:** Your course grade will depend on two factors: i) the total number of points you have at the end of the semester and ii) how your total score compares to the class as a whole. I will not be using absolute cutoffs for grades (e.g. 93+ A, 90+ A- etc.) There is no rationing of A grades (nor of C grades!). I will give letter grades on exams for purely for informational purposes: I will average your point scores, not your letter grades at the end of the semester. (In other words, someone who scores 55/70 on the midterm may get the same letter grade as someone who scored 58/70. However, the 58/70 will be more advantageous at the end of the semester). I reserve the right to reward students who do extremely well on the final and/or show a pattern of sustained improvement throughout the semester.

**STUDENTS WITH DISABILITY:** Students needing disability accommodations should contact Jim Wice, Director of Disability Services, at 781-283-2434, [jwice@wellesley.edu](mailto:jwice@wellesley.edu), room 316 Clapp Library, to present documentation of a disability and to make requests for accommodations. He will notify me of what accommodations are appropriate.

**COURSE TUTOR:** This semester the tutor dedicated to this course is Holum Kwok. She will be most useful as an EXTRA resource, so you should always come to me first and then go to her for ADDITIONAL help. Also, her primary responsibility is to make sure you understand the lecture material, so you should try to refrain from asking her to help with your homework assignments. The tutor will hold weekly office hours at the Economics Help Room, Thursdays 7-9 PM.

## DETAILED LECTURE PLAN AND READINGS

Here is the detailed schedule with assignments, etc. Note that this schedule is tentative and is subject to change.

### 1. Major Topic: Introduction

- **Tuesday, September 4th** – 1. Introduction to Macroeconomics
- **Friday, September 9th** – 2. National Income Accounts Part I: Measuring Output
  - Mankiw, Ch. 10
- **Tuesday, September 11th** – 3. National Income Accounts Part II: Measuring Prices
  - Pset 1 Distributed
  - Mankiw, Ch. 11
- **Friday, September 14th** – 4. National Income Accounts Part III: Shortcomings
  - “Viagra and the Wealth of Nations” (Paul Krugman)
  - “Measuring what matters” (The *Economist*)

### 2. Major Topic: Long-Run Trends

- **Tuesday, September 18th** – 5. Introduction to Economic Growth
  - Pset 1 Due
  - Pset 2 Distributed
  - Mankiw, Ch. 12
  - “How to get a date: The year when the Chinese economy will truly eclipse America’s is in sight” (The *Economist*)
  - “Comparing countries. The rich, the poor, and Bulgaria.” (The *Economist*)
- **Wednesday, September 19th** – 6. Economic Growth Part I: The Role of Capital
  - Mankiw, Ch. 13
- **Friday, September 21st** – 7. Economic Growth Part II: The Role of Labor
  - Mankiw, Ch. 15
  - “Long-term unemployed: the ravages of time” (The *Economist*)
- **Tuesday, September 25th** – 8. Economic Growth Part III: The Role of Technology
  - “Secret sauce” (The *Economist*)

### 3. Major Topic: Markets in the Short- and the Long-Run

- **Friday, September 28th** – 9. The Goods Market I: The Keynesian Cross
  - Taylor and Weerapana, Ch. 23 (Google docs)
  - Pset 2 Due
- **Monday, October 1st** – Review Session [Time and Location TBA]

## Tuesday, October 2nd – First Midterm (Topics 1-8)

- **Wednesday, October 3rd** – No class
- **Friday, October 5th** – 10. The Goods Market II: Multipliers
  - *Pset 3 Distributed*
  - “Much ado about multipliers” (The *Economist*)
- **Tuesday, October 9th** – **FALL BREAK**
- **Friday, October 12th** – 11. Financial Markets I: Introduction
  - “*In the News*” *assignment 1 due*
  - Mankiw, Ch. 14
- **Tuesday, October 16th** – In the News Discussion 1
- **Wednesday, October 17th** – 12. Financial Markets II: The Stock and the Bond Markets
  - Mankiw, Ch. 14
- **Friday, October 19th** – 13. The Money Market I: Money and Equilibrium in the Short-Run
  - Mankiw, Ch. 16
- **Tuesday, October 23rd** – 14. The Money Market II: The Federal Reserve and Money Supply
  - *Pset 3 Due*
  - *Pset 4 Distributed*
  - Mankiw, Ch. 16
  - “The Structure of the Federal Reserve System” (<http://www.federalreserve.gov/pubs/frseries/frseri.htm>)
- **Friday, October 26th** – 15. The Money Market III: Equilibrium in the Long-Run
  - Mankiw, Ch. 17
  - “Zimbabwe. Billionaires’ woe” and “Zimbabwe’s independence. Thirty years on” (The *Economist*)
- **Tuesday, October 30th** – TANNER CONFERENCE (NO CLASS)
- **Wednesday, October 31st** – TBA
- **Friday, November 2nd** – 16. Discussion of the Financial Crisis of 2008
  - *Pset 4 Due*
  - Crisis of Credit. <http://crisisofcredit.com/>
  - “The great unknown” (The *Economist*)
- **Monday, November 5th** – Review Session [Time and Location TBA]

## Tuesday, November 6th – Second Midterm (Topics 9-16)

### 4. Major Topic: AS-AD Model

- **Friday, November 9th** – 17. AS-AD Model I: Aggregate Demand
  - Mankiw, Ch.20 (AD)
- **Tuesday, November 13th** – 18. AS-AD Model II: Aggregate Supply
  - Pset 5 Distributed
  - Mankiw, Ch. 20 (AS)
  - “The Mystery of the 5-Cent Coca-Cola” (*Slate*)
- **Wednesday, November 14th** – 19. AS-AD Model III: Equilibrium in the Short- and Long-Run
  - Mankiw, Ch.20
  - “Jobless Drop Outpacing Economic Growth in U.S.” (The *WSJ*)
- **Friday, November 16th**– 20. AS-AD Model IV: Fiscal Policy
  - Mankiw, Ch. 21
  - “Paul Ryan: The man with the plan” (*The Economist*)
- **Tuesday, November 20th** – 21. AS-AD Model Part V: Monetary Policy
  - “In the News” assignment 2 due
  - Mankiw, Ch. 21
  - “Ground zero” (*The Economist*)
  - “QE, or not QE?” (*The Economist*)
- **Friday, November 23rd** – **THANKSGIVING BREAK**

### 5. Further Topics

- **Tuesday, November 27th** – 22. Inflation, Unemployment, and the Phillips Curve
  - Pset 5 Due
  - Pset 6 Distributed
  - Mankiw, Ch. 22
- **Friday, November 30th** – 23. The Outlook for the US Economy and In the News Discussion 2
  - Recent articles will be posted on Google Docs
- **Tuesday, December 4th** – 24. Open Economy I: Exchange Rates
  - “In the News” assignment 3 due
  - Mankiw, Ch. 18
  - “The Big Mac index” (*The Economist*)
- **Wednesday, December 5th** – 25. Open Economy II: Equilibrium in the Long-Run and Exchange Rate Regimes
  - Mankiw, Ch, 19
  - “A Tale of Two Deficits” (Joseph Stiglitz)
- **Friday, December 7th** – In the News Discussion 3
- **Tuesday, December 11th** – 26. The Global Dimensions of the Financial Crisis of 2008 and Course Wrap-Up
  - Pset 6 Due
  - “Can it be... the recovery?” (*The Economist*)