

ECONOMICS 102: PRINCIPLES OF MACROECONOMICS

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WELLESLEY COLLEGE

FALL 2014

TIME AND LOCATION: Section 02 meets on Tuesdays and Fridays 11:10 - 12:20 AM in PNW 117. Section 03 meets on Tuesdays and Fridays 01:30 - 02:40 PM in PNW 116. Both sections will meet on some Wednesdays 02:15 - 03:25 in PNW 212. 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: Tues. 9:30-10:30 AM, Thur. 9:30-11:30 AM, or by appointment.

READINGS: The required textbook is N. Gregory Mankiw's **Principles of Macroeconomics**, 7th 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. (I will also grant you some extra time during lunch, so plan accordingly!) 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, 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: **Wednesday, September 24th; Tuesday, October 28th, or Tuesday, December 1st**. A handout with all the slides will be distributed via Google Docs 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 non-exhaustive list of possible 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 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, 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 Hannah Ruebeck. 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, Sundays 7-9 PM.

Class #	Day of week	Date	Topic for the class and other information	Assignment
1	Tues	2-Sep	Introduction to Macroeconomics	
	Wed	3-Sep	NO CLASS - 10 min meetings	Pset 1 distributed
2	Fri	5-Sep	National Income Accounts: Measuring Output	
3	Tues	9-Sep	National Income Accounts: Measuring Prices	
	Wed	10-Sep	NO CLASS - 10 min meetings	
4	Fri	12-Sep	National Income Accounts: Shortcomings	
5	Tues	16-Sep	Economic Growth: Introduction	Pset 1 due; Pset 2 distributed
	Wed	17-Sep	TBA	
6	Fri	19-Sep	Economic Growth: Role of Capital	
7	Tues	23-Sep	Economic Growth: Role of Labor	
8	Wed	24-Sep	Economic Growth: Role of Technology	1st set of "In the News" due (on growth, GDP, etc)
	Fri	26-Sep	TBA	Pset 2 due
9	Tues	30-Sep	In the News 1	
	Wed	1-Oct	Review (In Class)	
	Fri	3-Oct	Midterm 1 (Classes 1-8)	
10	Tues	7-Oct	Goods market: Keynesian Cross	
11	Wed	8-Oct	Goods markets: Multipliers	Pset 3 distributed
12	Fri	10-Oct	Financial Markets: Introduction and PDV	
FALL BREAK				
13	Wed	15-Oct	Financial Markets: PDV Examples and Review, the Stock Market	
14	Fri	17-Oct	Financial Markets: Stock Markets and Bond Markets	
15	Tues	21-Oct	Money Market: SR equilibrium	Pset 3 due; Pset 4 distributed
16	Wed	22-Oct	Money Market: The Fed and Money Supply	
	Fri	24-Oct	NO CLASS/Optional review with TA	
	Tues	28-Oct	NO CLASS - Tanner Conference	2nd set of "In the News" due (financial and money markets and banks; components of aggregate expenditure)
17	Wed	29-Oct	Money Market: LR Equilibrium and Inflation	
18	Fri	31-Oct	The Origins of the 2008 Financial Crisis	Pset 4 due
19	Tues	4-Nov	In the News 2	
	Wed	5-Nov	Review (In Class)	
	Fri	7-Nov	Midterm 2 (Classes 10-18)	
20	Tues	11-Nov	AS-AD Model: AD	
21	Wed	12-Nov	AS-AD Model: AS	Pset 5 distributed
22	Fri	14-Nov	AS-AD Model: Equilibrium	
23	Tues	18-Nov	AS-AD Model: Fiscal Policy	
24	Wed	19-Nov	AS-AD Model: Monetary Policy	
25	Fri	21-Nov	Inflation, Unemployment and the Phillips Curve	
	Tues	25-Nov	TBA	Pset 5 due; Pset 6 distributed
THANKSGIVING BREAK				
26	Tues	2-Dec	Open Economy: Exchange Rates	3rd set of "In the News" due (on policy and open economy)
27	Wed	3-Dec	Open Economy: Eqm in the Open Economy	
28	Fri	5-Dec	In the News 3	Pset 6 due; Review documents distributed
29	Tues	9-Dec	Course Wrap-up	
Reading period			Review (time and location TBA)	
Exam period			Final exam (Classes 20-28 + In the News)	

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 2nd** – 1. Introduction to Macroeconomics
- **Wednesday, September 3rd** – NO CLASS (10-minute meetings)
 - Pset 1 Distributed
- **Friday, September 5th** – 2. National Income Accounts Part I: Measuring Output
 - Mankiw, Ch. 10
- **Tuesday, September 9th** – 3. National Income Accounts Part II: Measuring Prices
 - Mankiw, Ch. 11
- **Wednesday, September 10th** – NO CLASS (10-minute meetings)
- **Thursday, September 11th** – Goldman Lecture
 - 8 PM in Tishman Commons
 - Professor Angus Deaton, author of *The Great Escape: Health, Wealth and the Origins of Inequality*

2. Major Topic: Long-Run Trends

- **Friday, September 12th** – 4. National Income Accounts Part III: Shortcomings
 - “Viagra and the Wealth of Nations” (Paul Krugman)
 - “Measuring what matters” (The *Economist*)
- **Tuesday, September 16th** – 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*)
 - “How much is money worth at different income levels?”
- **Wednesday, September 17th** – TBA
- **Friday, September 19th** – 6. Economic Growth Part I: The Role of Capital
 - Mankiw, Ch. 13
- **Tuesday, September 23rd** – 7. Economic Growth Part II: The Role of Labor
 - “In the News” assignment 1 due
 - Mankiw, Ch. 15
 - “Long-term unemployed: the ravages of time” (The *Economist*)
- **Wednesday, September 24th** – 8. Economic Growth Part III: The Role of Technology
 - “Secret sauce” (The *Economist*)
- **Friday, September 26th** – TBA
 - Pset 2 Due
- **Tuesday, September 30th** – 9. In the News Discussion 1
 - In the News slides packet (posted on Google docs)

Wednesday, October 1st – Review Session 1

Friday, October 3rd – First Midterm (Major Topics 1 and 2)

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

- **Tuesday, October 7th** – 10. The Goods Market: The Keynesian Cross
 - Taylor and Weerapana, Ch. 23 (Google docs)
- **Wednesday, October 8th** – 11. The Goods Market: Multipliers
 - *Pset 3 Distributed*
 - “Much ado about multipliers” (The *Economist*)
- **Friday, October 10th** – 12. Financial Markets: Introduction and PDV
 - Mankiw, Ch. 14

*** FALL BREAK ***

- **Wednesday, October 15th** – 13. Financial Markets: PDV Examples and Review; Stock Markets
 - Mankiw, Ch. 14
- **Friday, October 17th** – 14. Financial Markets: Stock and Bond Markets
 - Mankiw, Ch. 14
- **Tuesday, October 21st** – 15. The Money Market: Money and Short-Run Equilibrium
 - *Pset 3 Due; Pset 4 Distributed*
 - Mankiw, Ch. 16
- **Wednesday, October 22nd** – 16. The Money Market: The Federal Reserve and Money Supply
 - Mankiw, Ch. 16
 - “The Structure of the Federal Reserve System” (<http://www.federalreserve.gov/pubs/frseries/frseri.htm>)
- **Friday, October 24th** – NO CLASS/Optional review with TA
- **Tuesday, October 28th** – NO CLASS (Tanner Conference)
 - *“In the News” assignment 2 due*
- **Wednesday, October 29th** – 17. The Money Market: Long-Run Equilibrium and Inflation
 - Mankiw, Ch. 17
 - “Zimbabwe. Billionaires’ woe” and “Zimbabwe’s independence. Thirty years on” (The *Economist*)
- **Friday, October 31st** – 18. Discussion of the Origins of the 2008 Financial Crisis
 - *Pset 4 Due*
 - Crisis of Credit. <http://crisisofcredit.com/>
- **Tuesday, November 4th** – 19. In the News Discussion 2
 - In the News slides packet (posted on Google docs)

Wednesday, November 5th – Review Session 2

Friday, November 7th – Second Midterm (Major Topic 3)

4. Major Topic: AS-AD Model and Macro Policy

- **Tuesday, November 11th** – 20. AS-AD Model: Aggregate Demand
 - Mankiw, Ch.20 (AD)
- **Wednesday, November 12th** – 21. AS-AD Model: Aggregate Supply
 - *Pset 5 Distributed*
 - Mankiw, Ch. 20 (AS)
 - “The Mystery of the 5-Cent Coca-Cola” (*Slate*)
- **Friday, November 14th** – 22. AS-AD Model: Equilibrium in the Short- and Long-Run
 - Mankiw, Ch.20
- **Tuesday, November 18th** – 23. AS-AD Model: Fiscal Policy
 - Mankiw, Ch. 21
- **Wednesday, November 19th** – 24. AS-AD Model: Monetary Policy
 - Mankiw, Ch. 21
 - “Ground zero” (*The Economist*)
- **Friday, November 21st** – 25. Inflation, Unemployment, and the Phillips Curve
 - *Pset 5 Due; Pset 6 Distributed*
 - Mankiw, Ch. 22
- **Tuesday, November 25th** – TBA
- **Wednesday, November 26th** – NO CLASS

*** THANKSGIVING BREAK ***

5. Major Topic: Open Economy Macroeconomics

- **Tuesday, December 2nd** – 26. Open Economy: Exchange Rate Basics
 - “*In the News*” *assignment 3 due*
 - Mankiw, Ch. 18
 - “The Big Mac index” (*The Economist*)
- **Wednesday, December 3rd** – 27. Open Economy: Equilibrium in the Long-Run
 - Mankiw, Ch, 19
 - “A Tale of Two Deficits” (Joseph Stiglitz)
- **Friday, December 5th** – 28. In the News Discussion 3
 - *Pset 6 Due*
 - In the News slides packet (posted on Google docs)
- **Tuesday, December 9th** – 29. The Global Economic Outlook and Course Wrap-Up

Reading Period – Review Session 3 (Time and Location TBA)

Exam Week – Final Examination (Major Topics 4 and 5; In the News 1-3)