

**ECON 102-03: Principles of Macroeconomics**  
Fall Semester, 2019-2020

Joseph P. Joyce  
Room 413 PNE  
Department of Economics  
Tel: 781-283-2160  
E\*mail: jjoyce@wellesley.edu

**Goals:** The course provides an introduction to the study of the overall economy. This includes the determination of national output and prices, the study of short-term fluctuations and long-term growth, and the role of economic policies in stabilizing the economy and facilitating growth. By the end of this semester, you should be able to:

1. Understand how key macroeconomic concepts such as GDP, inflation, unemployment, the government's budget, interest rates, and the balance of payments are defined and measured;
2. Analyze the roles that monetary and fiscal policy can play in stabilizing the economy, and the implementation of such policies;
3. Evaluate news articles about macroeconomic topics and develop the ability to engage in discussions of current macroeconomic issues;
4. Develop the basic analytical skills, which when combined with a calculus course, enable students intending to major in economics to continue onto a more rigorous study of intermediate macroeconomic theory. For non-majors, the analytical skills gained from this course should enable them to tackle 200-level field courses in economics without the need for further mathematics preparation.

**Prerequisites:** The prerequisites for the course are fulfillment of the basic skills component of the Quantitative Reasoning requirement and ECON 101: Principles of Microeconomics (or its equivalent).

**Meetings:** The class meets on Tuesdays and Fridays at 11:20 a.m. - 12:35 p.m. and on Wednesdays at 12:30 p.m. - 1:20 p.m. in Room 339 PNE.

**Readings:** The text for the course is:

Case, Fair and Oster, *Principles of Macroeconomics* (12<sup>th</sup> ed)

The solutions to the questions at the end of each chapter are available in the *Solutions* manual, which is available on our Sakai site. Supplementary readings are available through Sakai.

**Requirements:** The final grade will be based on the results of two mid-term exams (25% each), a final exam (35%) and the problem sets (15%). Problem sets will be posted in Sakai and should be completed and handed in at the beginning of class on the due date.

**Office Hours:** Office hours are on Wednesdays and Thursdays from 2:00 p.m. – 3:30 p.m.

**Tutor:** The class tutor is Shrunothra Ambati. She will hold regular hours on Thursdays from 7:30-9:30 p.m. in the Help room.

**Sakai Site:** We use our Sakai site to make announcements, post news stories and problem sets, answer questions, etc.

**Macro Modules:** You have access to EdX videos that review helpful math concepts frequently used in the course, such as solving equations and graphing. Each module comes with an assessment that you can use to test your skills.

**Classroom Environment:** We meet in the classroom to collectively learn the material. Laptop computers are not to be used unless a student has prior permission. Do not send or check for text messages. Please refrain from leaving the room unless necessary.

**Honor Code:** Members of the course are expected to adhere to the College's Honor Code. You are allowed to work on problem sets with classmates, but you must hand in your own written assignment.

**Disability:** If you have a disability or condition, either long-term or temporary, and need reasonable academic adjustments in this course, please contact Accessibility and Disability Resources (ADR) to get a letter outlining your accommodation needs, and submit that letter to me. You should request accommodations as early as possible in the semester, or before the semester begins, since some situations can require significant time for review and accommodation design. If you need immediate accommodations, please arrange to meet with me as soon as possible. If you are unsure but suspect you may have an undocumented need for accommodations, you are encouraged to contact (ADR). They can provide assistance including screening and referral for assessments.

Disability Services can be reached at [accessibility@wellesley.edu](mailto:accessibility@wellesley.edu), at 781-283-2434, by scheduling an appointment online at their website, <https://www.wellesley.edu/adr> or by visiting their offices on the 3<sup>rd</sup> floor of Clapp Library, rooms 316 and 315.

## READINGS

### I. Macroeconomic Concepts

Sept. 3: PPF and Circular Flow  
C, F, and O, Ch. 2: 29-34, Ch. 5

Sept. 4: No Class

Sept. 6: Gross Domestic Product  
C, F and O, Ch. 6: 103-111, 116-118  
Coyle, "Rethinking GDP," *Finance & Development*, 3/2017

Sept. 10: Nominal and Real GDP  
C, F and O, Ch. 6: 111-116

Sept. 11: Review

**Problem Set #1: Sept. 13**

Sept. 13: Inflation, Deflation and Unemployment  
C, F and O, Ch. 7: 124-133  
*The Economist*, "What Venezuelan Savers Can Teach Everyone Else," 7/9/2018

II. Growth

Sept. 17: Sources of Growth  
Sept. 18: Review  
Sept. 20: Productivity

C, F and O, Ch. 7: 133-135, Ch. 16  
Wolla, "Why Are Some Countries Rich and Others Poor?" FRB of St. Louis, 9/2017  
Sichel, "Can the U.S. Economy Sustain 3.5% to 4% Economic Growth?" *Econofact*,  
1/25/17

**Problem Set #2: Sept. 24**

III. Financial Markets

Sept. 24: Financial Intermediation  
Sept. 25: Bonds  
Sept. 27: Stocks  
C, F and O, Ch. 10: 201-203, Ch. 14: 265-271  
Mankiw, "What Stock to Buy?" *New York Times*, 5/18/2013

**Problem Set #3: Oct. 2**

IV. Income-Expenditure Model

Oct. 1: Equilibrium Output  
C, F and O: Ch. 8

Oct. 2: Review

**Exam #1 (I - III): Oct. 4**

Oct. 8: Government Expenditures and Taxes  
C, F and O, Ch. 9: 163-172, Appendix A  
*The Economist*, “Where Does the Buck Stop?”, 8/13/2106

Oct. 9: Review

Oct. 11: Money and GDP  
C, F and O, Ch. 10: 200-201; Ch. 11: 218-219

*Oct. 15: Fall Break*

**Problem Set #4: Oct. 18**

Oct. 16: Review

V. Business Cycles

Oct. 18, 22: Aggregate Demand and Supply  
C, F and O, Ch. 11

Oct. 23: Review

Oct. 25: Phillips Curve  
C, F and O, Ch. 13: 252-259  
Irwin, “The Fed’s New Message: The Economy Can Get a Lot Better for Workers,” *New York Times*, 7/11/2019

*Oct. 29: Tanner Conference*

**Problem Set #5: Nov. 1**

VI. Fiscal Policy

Oct. 30: Review  
Nov. 1: Fiscal Budget  
Nov. 5: Debt  
Nov. 6: Review  
C, F and O, Ch. 9: 173-179, Appendix B  
*The Economist*, “Economists Are Rethinking Fiscal Policy,” 5/16/2019

**Problem Set #6: Nov. 13**

- VII. Monetary Policy  
Nov. 8: Money Creation

**Exam #2 (IV – VI): Nov. 15**

- Nov. 12: Federal Reserve  
Nov. 13: Review  
Nov. 19: Policy Tools and Goals  
Nov. 20: Review

C, F and O, Ch. 10: 188-200, 203-207

*The Economist*, “How the Fed Will Raise Interest Rates,” 12/14/2015

*The Economist*, “The Fed Cuts Rates for the First Time In Over a Decade,” 8/1/2019

**Problem Set #7: Nov. 22**

- VIII. International Macro

Nov. 22: Balance of Payments

C, F and O, Ch. 19: 357-359

Chinn, “Are Global Imbalances a Source of Concern?” *Econofact*, 9/29/17

Nov. 26: Trade and GDP

C, F and O, Ch. 19: 360-364

Mankiw, “Want to Rev Up the Economy? Don’t Worry About the Trade Deficit.” *NY Times* 12/2/16

Nov. 27, 29: *Thanksgiving*

Dec. 3: Exchange Rate Markets

C, F and O, Ch. 19: 365-369

Dec. 4: Riview

Dec. 6: Fixed Exchange Rates

Mankiw, “The Trilemma of International Finance,” *New York Times*, 7/10/2010

**Problem Set #8: Dec. 10**

Dec 10: Global Inequality

**Final Exam (Self-Scheduled)**

## RESOURCE GUIDE FOR LEARNING MACROECONOMICS

### *People*

- JPJ: Office Hours: Wednesdays, Thursdays, 2:00 – 3:30 p.m.
- Shruthra Ambati, Class Tutor, Economics Help Room, PNW 116, Thursdays 7:30 – 9:30

### *Reading Materials*

- Class lecture notes
- Case, Fair and Osler, *Principles of Macroeconomics* (12<sup>th</sup> ed)

### *Review Questions*

- Problem Set Questions and Answers
- Questions at end of textbook chapters, answers in *CFO Solutions*:

#### I. Macroeconomic Concepts

Ch. 2: 1.2, 1.7, 1.8

Ch. 6: 1.2, 2.5, 3.1, 3.2, 3.6, 3.7

Ch. 7: 1.1, 1.7, 1.8, 2.1, 2.2, 2.3, 2.5, 2.6

#### II. Growth

Ch. 16: 1.2, 1.3, 1.4, 2.2, 2.3, 2.4, 2.8, 2.9

#### III. Financial Markets

Ch. 10: 5.3

Ch. 14: 1.1, 1.2

#### IV. Income-Expenditure Model

Ch. 8: 2.2, 4.1, 4.5, 5.3, 5.4

Ch. 9: 1.2, 1.3, 1.6, 2.2, 2.3, 2.4, 2.5

Ch. 10: 2.2, 4.1

#### V. Business Cycles

Ch. 11: 5.1, 5.4

Ch. 13: 5.1, 5.3

VI. Fiscal Policy

Ch. 9: 3.1, 4.1

VII. Monetary Policy

Ch. 10: 1.3, 1.4, 1.6, 2.1, 2.2, 2.5, 6.3, 6.4, 6.5

VIII. International Macro

Ch. 19: 2.2, 3.2, 3.4, 3.5, 3.6