

EC134: Principles of Macroeconomics

Colby College
Spring 2020

Instructor: James Siodla

Email: jrsiodla@colby.edu

Office: Diamond 359

Office hours: M 2:30-3:30pm, T 12:30-1:30pm, Th 2:00-4:00pm (or by appointment)

Teaching Assistants:

Amelia Ashton

Email: akasht22@colby.edu

Office hour: Th 7:00-8:00pm

Robyn Pirie

Email: rapiri21@colby.edu

Office hour: W 8:00-9:00pm

Description

The purpose of this course is to introduce you to the primary models of aggregate economic behavior so that you may analyze various macroeconomic issues and events. Among other things, macroeconomics focuses on the dynamics of, and the relationships between, the various outcomes that summarize the economic performances of entire countries. In order to help you develop a critical understanding of how economies function in the aggregate, this course will broadly focus on the analysis of business cycles, long-run economic growth, and the role of monetary and fiscal policy in achieving macroeconomic goals.

What This Course Will Do for You

Upon successful completion of the course, you will have further developed your analytical problem-solving skills, gained experience in using theoretical models to understand macroeconomic outcomes and relationships, and sharpened your capacity to evaluate and critique economic policy. You will also have learned to identify patterns and relationships in macroeconomic data by working with it in various capacities.

Learning Goals

By the end of the course, you will be able to:

1. Articulate how an economy is measured through GDP, unemployment, and changes in the price level.
2. Solve and use the workhorse model of economic growth to understand its determinants and evaluate policies aimed at achieving growth.
3. Solve and use the workhorse model of business cycles to understand and trace the implications of monetary and fiscal policy in the management of an economy.
4. Understand the interactions between a globalized world and the economic performance of individual countries.

Course Expectations

Expectations for me:

1. I will come to class prepared and ready to engage with you about the material.
2. I will assess your work in a timely manner.
3. I will design lectures, discussions, and assignments around the learning goals described above.

Expectations for you:

1. Come to class prepared and ready to engage with me and your classmates about the material.
2. Work diligently on class assignments and complete them on time.
3. Ask questions both inside and outside of class.

Course Structure

The lectures are devoted to learning and discussing the material covered in the readings. We will consistently work through in-class problems as groups and I will often ask you to share your answers. At times, we will also be analyzing macroeconomic data using the Federal Reserve Economic Data (FRED) website, usually in groups during class time and/or in problem sets. Please note that, on rare occasions (and time-permitting), I may ask you to bring your laptop to class to complete group data work.

Prerequisite

It is required that you have taken Principles of Microeconomics. Thus, I assume you are comfortable with the concepts of supply and demand (e.g. movements along curves vs. shifts of curves), as well as how to interpret basic graphs and work with algebraic formulas. I also assume that you are familiar with the concepts of comparative advantage and international trade, both of which are covered in Principles of Microeconomics. Given the time constraints of the course, we will not be spending regular class time reviewing these concepts. If you find you need help in these areas, please see me or consult the textbook, which has individual chapters on these topics. Also, Appendix A in the textbook is useful if you need a review of how to read graphs, which we will be doing much of in this course.

Materials

The course textbook is *Modern Principles: Macroeconomics* (fourth edition) by Tyler Cowen and Alex Tabarrok. Be aware that if you choose to use an older edition of the textbook, you are responsible for any discrepancies that may exist between editions. The use of a different edition is not an acceptable excuse for underperforming in the class.

I have chosen this textbook for several reasons. First, it is enjoyable to read. There are many dull textbooks out there; this is not one of them. Second, it weaves international material and examples throughout, thus making the material at each stage relevant for a globalized world. Third, the authors have produced dozens of videos that supplement the material for each chapter. Even if you don't consider yourself an auditory or visual learner, I encourage you to take advantage of this resource. And lastly, this textbook gives the concept of economic growth its proper due through a rigorous treatment of the standard growth model. Studying growth is important for understanding the origins of our standard of living, and why some countries are rich while others are poor.

Aside from the textbook, you will also need a subscription to LaunchPad (an online assessment and learning tool) in order to complete course assignments. The bundled package with a textbook and LaunchPad access code is available in the bookstore. You may also choose to sign up for LaunchPad separately, which gives you access to an electronic version of the text (I believe this is the cheapest option). The link to register for the course on LaunchPad is <https://www.macmillanhighered.com/launchpad/cowentabarrokmacro4e/13201671>.

Throughout the semester, in addition to the assigned readings, I may ask you to read articles related to concepts we are learning in class. I will upload these articles and additional readings to Moodle as we go and email the class at least two days in advance of the day they will be discussed.

Grading and Requirements

Your course grade will be determined on a standard scale by problem sets, weekly quizzes, two midterm exams, a cumulative final exam, and your participation during class. Here's the course breakdown:

Problem sets: 10%

Weekly quizzes (online through LaunchPad): 10%

Midterm exams (2): 22.5% each

Final exam: 30%

Overall participation: 5%

Problem sets: The problem sets are hand-written and will be assigned nearly every week about seven days before they are due. Unless otherwise stated, they will be due at the beginning of class on Fridays. You are encouraged to form study groups and work on problem sets together. However, you are required to submit your own work. Also be aware that if you do not work through and understand the problem sets on your own, you will not be prepared for the exams. Late problem sets will NOT be accepted. To account for the unforeseen circumstances of life (e.g. illnesses, family emergencies, etc.), your single worst problem set score will be dropped from your final grade.

Weekly quizzes: I will give weekly quizzes online through LaunchPad that are assigned about one week before they are due. Unless otherwise stated, they will be due by 4pm on Tuesdays. These will be aimed at giving you practice with some of the types of questions that appear on the exams. They will also be timed in order to give you a low-stakes environment in which to test your knowledge of the material. Please note that, much like an exam, I will not be able to help you with the quizzes. Late quiz submissions will NOT be accepted. To account for the unforeseen circumstances of life (e.g. illnesses, family emergencies, internet failures, etc.), your two worst quiz scores will be dropped from your final grade.

Participation: Credit will be earned through your participation in course readings, lectures, discussion, and in-class exercises.

Re-grade requests: You may resubmit any graded material with an additional sheet attached clearly explaining why you deserve a better grade. These requests are due within one week after the graded work is returned. If you choose to petition for a change to your grade, I will re-grade the *entire* work – not only the part in question. Remember, you are assessed on what is actually written down, not what you meant to write.

Policies

Office hours: Please make use of my office hours to answer any and all questions you have about the course and the material. If you cannot reach me during my office hours, please email me to schedule an appointment.

Email: I aim to return emails within 24 hours. I usually respond more quickly than that, but sometimes it is not possible given semester schedules and daily obligations.

Disruptive behavior: Behaviors that are disruptive to teaching and learning will not be tolerated. Such behavior includes talking in class, use of electronic devices, and coming to class late or leaving early. I discourage the use of smartphones and laptops. It is distracting for those around you, for lecturers, and can be distracting for you. There is also empirical evidence that students learn better and remember more by taking notes by hand. If you have a legitimate reason to use a cell phone during class, come late, or leave early, please let me know prior to lecture. Also, unauthorized audio and/or visual recording of the class is prohibited. Please see me if you have concerns about anything mentioned here and I will work with you to support your learning needs.

Diversity: It is my intent that students from diverse backgrounds and perspectives be well-served by this course, that students' learning needs be addressed both in and out of class, and that the diversity that students bring to this class be viewed as a resource, strength, and benefit.

Class and exam attendance: Although I do not take attendance, you are expected to attend all classes and scheduled course events during the semester and are responsible for all material assigned as readings and presented in class. Unexcused absences from exams will result in a grade of 'zero.' If you know you are going to miss a scheduled test (see important dates below) because of an extracurricular event or observance of a religious holiday, please let me know within the first two weeks of class.

Academic honesty: I take academic dishonesty very seriously and believe strongly in the values articulated in the Colby Affirmation. Although you are encouraged to work and study with each other, ALL work submitted must be your own. Plagiarism, fabrication, cheating, and facilitating the academic dishonesty of others are serious offenses for which you will fail the course (or worse). Therefore, you should become familiar with the College's policy on academic dishonesty and the Colby Affirmation, which is found in the Colby Student Handbook.

Course Overview

A general overview of the course topics and descriptions is given below in the order in which they will be covered. Weeks and chapters of coverage are given so that you can plan ahead. I expect you to read the material and/or watch the supporting videos we'll be covering before each class meeting. I will be emailing you every Friday afternoon regarding the following week's plan, which could include additional readings not listed below. You may wait for these emails before you start reading and preparing for the next week. Please be aware that the following schedule is subject to change, but it nonetheless provides a rough outline of how we will progress through the semester.

I. GDP and Economic Growth (weeks 1-4; chapters 6-9)

The first section of the course will be concerned with measurement of the economy's output (GDP). We will then think about the long-run determinants of growth and why we care that an economy grows, focusing on the foundational Solow model. We will also gain an understanding of the relationship between saving and investment spending in the economy, which is important for growth. We will discuss the loanable funds market, which matches up those who want to lend money with those who want to borrow, as well as the mechanics behind bond pricing.

- II. Unemployment and Inflation (weeks 5-6; chapters 11-12)
 In this section, we will be concerned with the measurement of unemployment and inflation. We will focus on unemployment and labor force participation rates, categories of unemployment, and the construction of price indexes. We will also learn about the quantity theory of money, which will be helpful for understanding later material.
- III. Business Cycles in the AD-AS Model (weeks 7-9; chapters 13-14)
 In this section, we will start to build the model of the economy that is used to understand business cycles and fluctuations (i.e., booms and recessions). We will build up the concepts of aggregate demand (AD) and aggregate supply (AS) and learn how they interact to produce aggregate outcomes in output growth, inflation, and employment. We will also explore the mechanisms that determine and amplify business cycles.
- IV. Monetary and Fiscal Policy (weeks 10-12; chapters 15-18)
 This section will focus on the effectiveness of monetary and fiscal policy in the short-run and long-run. We will focus on the banking system and how the Federal Reserve controls the money supply. We will then analyze the federal budget, public debt, and the fiscal multiplier. Attention will be paid to the role of monetary and fiscal policy in managing an economy and moderating business cycles.
- V. International Economics (weeks 13-14; chapters 19-20)
 This section will introduce the concept of an open (i.e., international) economy. We will study how foreign exchange rates are interpreted and determined, and why the foreign exchange market is important in the study of macroeconomics. We will look at the effectiveness of monetary and fiscal policy in both fixed and flexible exchange-rate regimes.

Tips for Success in This Course

There is no shortcut to learning how an economy works and earning points in the course: you must put in consistent and diligent work (i.e., hours). Here are three basic tips for success:

- Prepare for class each day by reading the textbook and watching the videos. We will be working through problems often in class, so be ready to dig in!
- Work through and understand the in-class exercises, quizzes, and problem sets. Practice these in your study time without notes, the textbook, or help from your classmates. This is hard work, but it pays off!
- Make it a point to revisit old material often as we go through the course. The more you practice retrieving the material from your mind, the more you will learn the concepts.

Important Dates

Please keep in mind the following important dates:

March 11, 4:00-6:00pm	Midterm #1 (exam in Arey 005)
April 15, 4:00-6:00pm	Midterm #2 (exam in Arey 005)
May 1	No class (Colby Liberal Arts Symposium on April 30)
May 18, 1:30-4:30pm	Final exam