

Syllabus for Econ 1102, Principles of Macroeconomics

(This version: January 24, 2016)

Yao Tang, Spring 2016

Department of Economics

Bowdoin College

Lecture time: Monday 11:30 - 12:55, Wednesday 11:30 - 12:55

Place: Searles 223

Contact information

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office hours: Monday 2:00-3:00 pm, Tuesday 10:00 am-12:00 noon, or by appointment.

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Please note, I may not check emails frequently during evenings and weekends.

Course Description and Objectives

Macroeconomics concerns itself with the aggregate behavior of the economy. For most students, Econ 1102 is the first course (and maybe also the last!) they take in macroeconomics. Materials covered in this course will prepare students for further study of economics. For those who do not continue to pursue economics, this course will also offer valuable knowledge useful in one's life.

The course will begin by looking into the measurement of key macroeconomic variables: national output, inflation and unemployment. We will then examine the determination of output in the long run and short run, and whether economic policies can mitigate short run fluctuations. In particular, we will discuss *whether the government should have a role in stabilizing the economy*.

Textbook and Reading Materials

Required textbook: Frank and Bernanke, *Principles of Macroeconomics*, 6th edition, McGraw-Hill Irwin. I will provide on Blackboard a list of readings extracted from news media and other sources as the semester progresses.

Quantitative Reasoning program

This course is supported by the QR program. Info about the study group for this course will be announced later.

Web information

All information, including information about reading materials, will be posted on the Blackboard web page for Econ 1102, accessible at <http://blackboard.bowdoin.edu/>.

Evaluation: your course grade is based on

assignments, 10%
first midterm exam (February 22), 25%
second midterm exam (April 18), 25%
final exam (cumulative, May 17), 35%
class participation, 5%
student presentation (optional), 2%

There will be periodic assignments throughout the semester. Some of the assignments are individual assignments, meaning that each student must hand in a copy of the answers. Other assignments are group assignments, where a group of students (up to a maximum of four people) submit a single copy. The idea behind having two types of assignments is to encourage peer learning while keeping track of individual progress in the course. Before the solutions are posted, late submissions are acceptable at a penalty of 20%. Makeup exams can only be arranged in advance for family or medical emergencies. According to the college registrar, **the final exam is scheduled in Searles 223 at 9 am on May 17.**

To encourage students to engage in active learning and to allow students the opportunity to demonstrate their ability outside exams, a student (or a group of two students) has the option of doing a 5 to 10-minute in-class presentation on designated topics. These presentations are designed to supply background information about macroeconomic issues in this course. We will have at most one presentation each lecture and each student can perform at most one presentation. Students who wish to present must email the instructor one week before the lecture so that proper arrangements can be made. Students are expected to meet the instructor to go through their presentations. The presentations will be graded based on the content and effectiveness. See page 6 of the syllabus for a list of topics matched to specific lectures. Subject to the instructor's approval, students can also present alternative topics linked to the lectures.

Academic Honesty

Students should be familiar with the Bowdoin College Academic Honor Code, available at <http://www.bowdoin.edu/studentaffairs/student-handbook/college-policies/index.shtml>. In particular, for the individual assignments, students are encouraged to work together but they must each hand in their own copy of answers.

Tentative Schedule of Topics

Please note I reserve the right to change the order of topics, or to drop topics from the list. However, I will not add new topics.

1. January 25, Course introduction
2. Key macroeconomic variables
 - January 27, GDP, Chapter 4
BEA, News Release-GDP (December 22, 2015)
The Wall Street Journal, Nations Seek Success Beyond GDP
The Economist, The joyless or the jobless
 - February 1, Inflation and unemployment, Chapter 5 and 6
Dallas Morning News, Nasdaq sets record high, 15 years after dot-com bubble
The Wall Street Journal, Private Sector Added 185,000 Jobs in July, Fewer Than Expected
The Wall Street Journal, U.S jobless claims rise, but labor market still seen as strong
The Economist, Long-term unemployment: In the bleak midwinter
3. Economic growth in the long run
 - February 3, The importance of growth and an introduction of the Solow model, Chapter 7
 - February 8, Solow model: physical capital can't generate economic growth
David Weil, *Economic Growth*, Chapter 3.3.
 - February 10, Using the Solow model to explain differences in income and growth
 - February 15, Sources of sustained growth: technology, Chapter 7
The Economist, The secret sauce
4. Saving, capital formation, financial markets and money

- February 17, Private and national saving, Chapter 8
The Wall Street Journal, Workers Saving Too Little to Retire
The Wall Street Journal, Spenders Become Savers, Hurting Recovery
- **February 22, in-class midterm 1**
- February 24, Financial market, Chapter 9
Bloomberg, U.S. Banks Hoard \$2 Trillion of Ultra-Safe Bonds
- February 29, What is money, Chapter 9
Francois R. Velde, Bitcoin: A Primer
OZY, Bitcoin Nation?
Bloomberg, Chinas Largest Bitcoin Exchange Halts Merchants Bank Deposits
CNN, ISIS announces new currency
- March 2, Commercial banks and the creation of money, Chapter 9
Bloomberg, China Falls Back on Rate-Cut Lever to Stem Stock Market Rout
BBC, Greek debt: ECB not raising funding limit
BBC, Greek debt crisis: Banks to stay shut, capital controls imposed
- March 7, Central banks and the financial market, Chapter 12
BBC News, US Federal Reserve ‘underestimated financial crisis’
LA Times, Estimate of TARP losses falls to \$25 billion
LA Times, U.S. watchdog doubts TARP will turn a profit for taxpayers
Businessweek, Fed’s Once-Secret Data Compiled by Bloomberg Released to Public
New York Times, U.S. Ends Bailout of G.M., Selling Last Shares of Stock
Reuters, Judge rules for ex-AIG CEO Greenberg over bailout, but no damages

5. The economy in the short run: the basic Keynesian model

- March 9, Short run fluctuations, Chapter 10
The Wall Street Journal, Decline in ‘Slack’ Helps Fed Gauge Recovery
- March 28, Spending and output in the short run, Chapter 11
- March 30, Output stabilization and fiscal policy, Chapter 11
- April 4, The effectiveness of fiscal policy and fiscal crisis, Chapter 11
The Economist, Much ado about multipliers
BBC News Magazine, Reinhart, Rogoff... and Herndon The student who caught out the professor
The Wall Street Journal, US annual budget deficit remains near 7-year low in June
The Economist, Concrete benefits

6. The economy in the short run: central bank in a modified Keynesian model
- April 6, Adding the central bank to the Keynesian model, Chapter 12
 Bloomberg, China Falls Back on Rate-Cut Lever to Stem Stock Market Rout
 Washington Post, Mortgage rates rise ahead of Fed's announcement
 The Wall Street Journal, Tumbling Interest Rates in Europe Leaves Some Banks
 Owing Money on Loans to Borrowers
 Bloomberg, U.S. Banks Hoard \$2 Trillion of Ultra-Safe Bonds
 New York Times, Why Negative Interest Rates Are Becoming the New Normal
 - April 11, Unconventional monetary policies
 Bernanke, The Crisis and the Policy Response
 The Economist, Free exchange: A new toolkit
 Bloomberg, Fed Officials Rebuff Coordination Calls as QE Taper Looms
 Reuters, Fed policy under fire at Jackson Hole conference
 - April 13, Discussion on monetary policy: central bank independence, bubbles,
 and the gold standard
 The Wall Street Journal, Yellen Reiterates Opposition to Taylor Rule in Letter
 to Ryan, Pelosi
 The Economist, Central banks and the markets: the long goodbye
 The Wall Street Journal, Fed Chief Edges Closer to Using Rates to Pop Bubbles
 Martin Wolf, Could the world go back to the gold standard?
 - **April 18, in-class midterm 2**
7. The economy in the short run: the Aggregate Supply and Aggregate Demand (AS-AD)
 model
- April 20, The AS-AD model, Chapter 13
 - April 25, The AS-AD model, Chapter 13
 - April 27, The role of market in the AS-AD model, Chapter 13
 The Economist, Deflation: feeling down
 - May 2, Economic policy in the AS-AD model, Chapter 14
 - May 4, Economic policy: the Federal Open Market Committee statement
 New York Times, Bernanke Proved Them Wrong
 Quartz, Ben Bernanke on bubbles, bitcoin, and why hes not a Republican anymore
 - May 9, Student presentations: economic policy of selected presidential candidates.
 - May 11, Overflow

Suggested Topics for Presentations

1. February 29: Is Bitcoin money?
2. March 2: The hyperinflation in Weimar Republic (Germany) in the 1920s.
3. March 7: Why did the Fed decide to bail out some financial institutions but not all in the 2008 crisis?
4. March 9: What is your own experience in the “great recession” from 2007 to 2009?
5. March 28: Aggregate demand and the Great Depression.
6. March 30: Has the American stimulus package of 2009 worked?
7. April 4: How serious is the deficit problem of the US?
8. April 6: Why does Ron Paul want to end the Fed?
9. April 11: What is QE (Quantitative Easing)?
10. April 13: The gold standard
11. April 20: Supply side economics and the Laffer curve
12. April 25: Does deflation depress aggregate demand?
13. April 27: Who are the key economic policy makers in the US?
14. May 2: What we know about Janet Yellen
15. May 4: The legacy of Ben Bernanke
16. May 9: Up to five presentations: economic policy of selected 2016 presidential candidates