Syllabus for Econ 1102, Principles of Macroeconomics
(This version: January 19, 2014)
Yao Tang, Spring 2014
Department of Economics
Bowdoin College

Lecture time: Monday 8:00 - 9:25, Wednesday 8:00 - 9:25
Place: Sills-117

Contact information
office: Hubbard 106
office hours: Monday 9:30-11:00 am, Wednesday 9:30-11:00 am, 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 102 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, 5th 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
Emma Young will be the QR program study group leader for this course. She will hold regular sessions for students who seek extra work on quantitative skills that are useful in this course.

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 24), 25%
second midterm exam (April 16), 25%
final exam (cumulative, May 15), 35%
class participation, 5%
student presentation (optional), 3%

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 Sills 117 at 2 pm on May 15.

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-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 also welcome to contact the instructor for help with their presentations. The presentations will be graded based on the content and effectiveness. See pages 5 and 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 20, Course introduction

2. January 22, Instructor out of town, no class

3. Key macroeconomic variables
   - January 27, GDP, Chapter 4
     The Wall Street Journal, Nations Seek Success Beyond GDP
     The Economist, The joyless or the jobless
   - January 29, Inflation and unemployment, Chapter 5 and 6
     The Wall Street Journal, Jobs Rise Enough to Soothe Markets
     The Economist, Long-term unemployment: In the bleak midwinter

4. Economic growth in the long run
   - February 3, The importance of economic growth and introduction to the Solow model, Chapter 7
   - February 5, 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 12, Sources of sustained growth: technology, Chapter 7
     The Economist, The secret sauce

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

- March 24, Short run fluctuations, Chapter 10
- March 26, Spending and output in the short run, Chapter 11
- March 31, Output stabilization and fiscal policy, Chapter 11
- April 2, The effectiveness of fiscal policy and fiscal crisis, Chapter 11
  The Economist, Much ado about multipliers
  The Economist, The budget and the deficit: An opportunity wasted
  The Wall Street Journal, Voters Back Tough Steps to Reduce Budget Deficit
  BBC News Magazine, Reinhart, Rogoff... and Herndon The student who caught out the professor

7. The economy in the short run: central bank in a modified Keynesian model

- April 7, Adding the central bank to the Keynesian model, Chapter 12
  Bloomberg, China Cuts Benchmark Rates for Second Time in Month
- April 9, Unconventional monetary policies
  The Economist, Free exchange: A new toolkit
  The Economist, South Sea QE
  Bloomberg, Fed Officials Rebuff Coordination Calls as QE Taper Looms
  Reuters, Fed policy under fire at Jackson Hole conference
  Bloomberg, Last Bernanke Years Shows No Sign of Buyer’s Remorse
• April 14, Discussion on monetary policy: central bank independence, bubbles, and the gold standard
  The Economist, Policy Punchbags
  NY Times, Bernanke’s Bid for a Second Term at the Fed Hits Resistance
  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 16, in-class midterm 2

8. The economy in the short run: the Aggregate Supply and Aggregate Demand (AS-AD) model

  • April 21, The AS-AD model, Chapter 13
  • April 23, The AS-AD model, Chapter 13
  • April 28, The role of market in the AS-AD model, Chapter 13
  • April 30, Economic policy in the AS-AD model, Chapter 14
  • May 5, Economic policy: the Federal Open Market Committee statement
  New York Times, Reflections by Americas Buddha of Banking
  BBC, US Senate confirms Janet Yellen to lead Federal Reserve

• May 7, Overflow

Suggested Topics for Presentations

1. February 26: Is Bitcoin money?

2. March 3: The hyperinflation in Weimar Republic (Germany) in the 1920s.

3. March 5: Why did the Fed decide to bail out some financial institutions but not all in the 2008 crisis?

4. March 24: What is your own experience in the “great recession” from 2007 to 2009?

5. March 26: Aggregate demand and the Great Depression.

6. March 31: Has the American stimulus package of 2009 worked?

7. April 2: How serious is the deficit problem of the US?
8. April 7: Why does Ron Paul want to end the Fed?
9. April 9: What is QE (Quantitative Easing)?
10. April 14: The gold standard
11. April 23: Supply side economics and the Laffer curve
12. April 28: Does deflation depress aggregate demand?
13. April 30: Who are the key economic policy makers in the US?
14. May 5: The legacy of Ben Bernanke and what we know about Janet Yellen