

Principles of Macroeconomics

ECON 112 (Section 01K)

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Required Textbook

Cowen, Tyler and Alex Tabarrok (2011). *Modern Principles: Macroeconomics* (2nd ed.). Worth Publishers. [\[buy on Amazon\]](#)

Course Overview

We have just been through one of the worst economic crisis since the Great Depression. Millions of people lost their jobs, trillions of dollars of wealth disappeared, real consumption declined significantly, and many businesses failed. In an effort to fight the recession, the US government borrowed trillions of dollars to bail out failed financial institutions (too big to fail) and to run projects aimed to stimulate the economy. Much of these funds came from abroad—China, Japan, and the Middle East—and eventually will have to be repaid. This will compromise future consumption and exacerbate the fiscal crisis that is looming over the United States due to the costly ongoing wars and expected shortages in the Social Security and Medicare programs. Even president Barrack Obama acknowledged that much of the prosperity in the past decade has been debt-driven. Can borrowing more money solve our economic problems?

There are all sorts of explanations for the crisis—from the frailty of human nature and the failure of government policy to the cultural obsession with home-ownership and the reliance on the wrong economic theory—and even more opinions as to what should be done. While some economist agree that the government stimulus has prevented further job losses and is thus beneficial in the short-run, others have argued that it is completely ineffective and in fact it will be devastating for the US economy in the long run. In addition, there will be a huge burden imposed on future generations of repaying trillions of dollars of federal debt issued to finance programs designed to fight the recession.

Crises of this sort are not new to capitalism. In fact, the whole history of capitalism is a history of periodic ups and downs, also known as a business cycle. What causes these periodic crises? Why do we have unemployment? Can government policies help the economy recover faster? What would be their long-run effect on economic growth and prosperity? How do we measure economic progress? Why are some countries wealthier than others? What is the place of the US in an integrated global economy? These are some of the questions that macroeconomics tries to answer and we will discuss this semester.

There will no easy answer. The lack of consensus among economists shows that economics is a very ideological “science”—i.e., the predictions of economic models depends on the assumptions economists make about the world, which are often based on their own speculative beliefs about human nature. Your own acceptance of economic models will most likely be also prejudiced by your own intellectual history. The textbook that we will use this semester does not make an exception in this respect either and will only give you one side of the story. As always, there are many others. It is thus our goal to challenge our own preconceived ideas by exploring some of the alternatives for a richer and more complete view.

Therefore the emphasis in this class will be learning not what to think, but how to think; not what kind of arguments to support, but how to weigh those arguments and make informed decisions. Indeed these virtues are the ones that inspired the founding fathers and gave rise to liberal democracy and the American constitution—we must solve our problems by untamed debate rather than through oppression of thought. Thus class discussion will be an important component of this course and respect for the ideas of others is a quality you need to bring to the classroom.

You should also approach this course with an understanding that a lot of economic ideas are abstract and ideologically driven but they are nevertheless a powerful tool for social change. As John Maynard Keynes, widely considered the father of macroeconomics, observed “[it is] the ideas of economists and political philosophers ... [that] are the chief rulers of the world ... for good or bad.” As we will see later in this course, Keynes’ ideas changed the way we look at economics and revolutionized the relationship between governments and the free market economy. In fact, many of the current economic policies are based on his theories.

Finally, I can’t promise you that at the end of the semester you will “know” economics. There is no systematized body of knowledge that upon its mastery you will be able to solve economic problems with certainty as you do in physics or mathematics. This does not mean that we have to discard economics. On the contrary, economics is a powerful tool for understanding human action that can provide us with valuable insights about how people make choices and how these choices affect all of us in the global economy. What I can promise you, then, is that if you are motivated and spend the necessary time to explore new ideas and ways of thinking you will make one more step towards an educated life—and this is something valuable in itself. After all, you will have to make all kinds of choices—both for yourself and for your community—and this is something you can do either intelligently or not.

Learning Objectives

- A. Learn the basic macroeconomic principles so that you can examine a variety of social issues from the perspective of economics.
- B. Be able to apply the concepts studied in class to the real world, and understand the political and economic jargon in everyday news.
- C. Develop your critical thinking skills by challenging the existing economic paradigm (the models in your textbook) by exploring theories that are radically different from mainstream economics.
- D. Recognize that even though economic ideas are often abstract and ideologically driven, they are nevertheless a powerful tool for social change.
- E. Become familiar with some major economic debates (as time permits).

Course Policies

Attendance

If you do not plan to attend lectures and participate constructively in class discussions, then you should withdraw from this course. Liberal arts education is by its nature aimed at careful self-examination and discussion. Missing class will not affect your grade directly. However, a good deal of your grade will be determined by in-class assignments given randomly throughout the semester. There will be **no make-up** for these exercises.¹ In addition, experience shows that students who miss more than two lectures finish with a grade significantly below average. And students who do not attend lectures regularly fail the course.

Cheating and Plagiarism

University policies regarding academic dishonesty will be rigorously enforced in this class. It is your responsibility to familiarize yourself with these policies and to follow them strictly (refer to the [Student's Honor Code](#)). Pay particular attention to the policy on plagiarism as plagiarism is not limited to word-for-word copying of another's work. You are expected to complete all assignments for this class independently unless the assignment specifically states otherwise.

Available Help

I encourage you to talk to me after class, to stop by my office or to email me if you have questions regarding assignments, readings, etc. I will be happy to explain material and help you prepare for assignments.

Grade Disputes

If you want to dispute a particular question(s) that you feel was not graded fairly do this in a civilized manner by turning your request in writing, explaining the reasoning behind your answer, and why you should receive points back. However, if you wish me to re-grade a question, keep in mind that the revised grade may go in the opposite direction you wish it to.

“Flat Tire on the Day of Exam” and “Crashed Operating System the Night before Paper Is Due” Policy

As the name of this policy suggests, no excuses of this type will be accepted. Make sure you back up your work regularly and have a contingency plan to get to school if your car breaks. It is your responsibility to complete all assignments on time.

¹ Should you decide to attend class, I will ask that you do it the way it has to be done –no text messaging, no sleeping, try to be on time, etc. The following penalties will be enforced in the case of: Sleeping: You will lose 40 pts on one of your exams. Text-messaging: You will lose 25 pts on one of your exams. Being more than 5 minutes late: You will lose 10 pts on one of your exams. To be fair to you, the same rules will apply to me as well. Only I will award the same number of points in case I happen to violate these rules.

Course Requirements

Quizzes (20%): Your success in this and any other class depends on your systematic reading the book. Therefore, weekly quizzes will be given to assess your progress in this respect.

Exams (20% each): There will be three in-class exams. Each exam will include multiple choice, problem-solving, and short essay-type questions. Exams will not be cumulative but knowledge of prior material may be necessary to successfully solve (or understand) some problems later in the course.

There will be **no make-up** exams. The only exception will be if the student has a credible reason and provides a convincing proof for their absence (e.g. a note from their personal physician explaining the nature of their illness). If the student needs to miss an exam for religious reasons I have to be notified at least two weeks in advance.

Article Presentation (10%) You will be required to find an online article from a plausible source (e.g. www.economist.com) and write a short summary relating its content to a concept studied in class (e.g. aggregate supply and demand, unemployment, measuring socio-economic progress, etc.) Be prepared to present it in class for **no more** than 5 minutes. The article should be no older than the first day of class, i.e. 01/14/14. Presentations will start on Feb 18th.

Miscellaneous (10%) This includes in-class and out of class assignments such as Blackboard discussions and short writing responses that I will assign as homework throughout the semester. For the discussion forums you will need to post one entry per forum (500 words minimum) and comment on two posts per forum (100 words minimum).

Your final grade will be a weighted average of the above items according to the following scale.

A+ (96-100) A (93-96) A- (90-93) B+ (86-90) B (83-86) B- (80-83) C+ (76-80) C (73-76) C- (70-73) D+ (66-70) D (63-66) D- (60-63) F (60-)

Schedule /tentative

Date	#	Topic / Readings	What's DUE
Jan 14, T	1	Introduction to the Course	
Jan 16, R	2	Review: Ch. 1,2	
Jan 21, T	3	Review: Ch. 3, 4	
Jan 23, R	4	Ch. 5: GDP and the Measurement of Progress	
Jan 28, T	5	Ch. 6: The Wealth of Nations	
Jan 30, R	6	Ch. 7: Growth & Capital Accumulation	
Feb 4, T	7	Movie/Discussion	
Feb 6, R	8	Movie/Discussion	Discussion 1
Feb 11, T	9	Review for Exam 1	
Feb 13, R	10		Exam 1 (Ch. 1, 2, 3, 4, 5, 6,7)
Feb 18, T	11	Ch. 10: Unemployment	Article presentations start
Feb 20, R	12	Ch. 11: Inflation & the Quantity Theory of Money	
Feb 25, T	13	Movie/Discussion	
Feb 27, R	14	Ch. 12: AS/AD Model	
Mar 4, T	15	Ch. 12: AS/AD Model	
Mar 6, R	16	Public Choice Conference – no class	
Mar 11, T	17	Spring Break – no class	
Mar 13, R	18	Spring Break – no class	
Mar 18, T	19	Review for Exam 2	
Mar 20, R	20		Exam 2 (Ch. 10, 11, 12)
Mar 25, T	21	Ch. 14: Money Creation & the FED	
Mar 27, R	22	Movie/Discussion	Discussion 2
Apr 1, T	23	Ch. 15: Monetary Policy	
Apr 3, R	24	Ch. 16: The Federal Budget	
Apr 8, T	25	Ch. 17: Fiscal Policy	
Apr 10, R	26	Movie/Discussion	
Apr 15, T	27	APEE conference – no class	
Apr 17, R	28	Where do we go from here?	
Apr 22, T	29	Review for Final Exam	
Apr 24, R	30		Final Exam (Ch. 14,15,16,17)
Apr 29-	31	Finals Week	

* Additional readings may be assigned during the semester.