Syllabus

ECON 252

June 2014

Instructor: Brian Towell

Office: KRAN B024G

Office Hours: Monday – Thursday 3:20 – 4:00 p.m. and by appointment

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**Course Description**

Macroeconomics is an important part of our world and our lives. Business cycles and unemployment help determine how easy it is for us to get good jobs. Over time, prices change and so does the value of money and what we can buy with it. Interest rates affect how much we will pay for our homes and education. We should be informed about the foundations of these issues and how they can be addressed. The world of macroeconomics is rich and filled with varying opinions. Debate between competing schools of thought among macroeconomists has spilled over into our political arena as we face legitimate choices as voters, and as a society, regarding the form monetary and fiscal policy should take. It is our goal to join this debate. I hope you will find that what you learn in this course greatly informs your view of the world and provides tools that you can use in whatever path you pursue in life.

**Recommended Textbook:** *Brief Principles of Macroeconomics, Sixth Edition,* by N. Gregory Mankiw, South-Western College Pub, 2011

**Office Hours:** Bring specific questions to office hours. Office hours are meant to clarify and help you get through specific questions. They are not meant as a substitute for attending lectures.

**Homework:**

Homework problems will be posted on Blackboard after class on Monday of each week. While you are not required to hand anything in, I strongly recommend working through as many of these problems as you can. Homework questions will similar to those seen on tests.

**Tests:**

Tests will be given at the end of each week. You may use a calculator. If you must miss a test, tell me as soon as possible. Test absences will be excused (or not) in accordance with department policy.

**Classroom:**

My goal is to have a positive classroom environment where everyone can learn. So, please ask questions and participate. And please do not do anything that would distract the other students or me. This includes talking on the phone, playing on laptops, or anything else that good judgment dictates that you shouldn’t do. Besides that, make sure to bring a calculator to class.

**Grading Policy:**

**Percent of**

**Item Course Grade Date**

Exam I 20 Friday, June 20

Exam II 20 Friday, June 27

Exam III 20 Thursday, July 3

Final Exam 40 Friday, July 11

**Total 100**

Finally, this syllabus is tentative and subject to alterations. Any changes will be announced during class.

**Class Schedule**

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| **Date** | **Reading** | **Topics** |
| 6/16 | Chapters 1,2 | Brief Principles of Economics  Scientific Method  Production Possibilities Frontier  Positive versus Normative Statements and Analysis |
| 6/17 | Chapter 3 | Absolute Advantage  Opportunity Cost and Comparative Advantage  Gains from Trade |
| 6/18 | Chapter 4 | Markets and Competition  Demand  Supply  Supply and Demand Together |
| 6/19 | Chapter 5 | GDP  Aggregate Expenditures: Consumption, Investment, Government, Net Exports  Nominal GDP versus real GDP; GDP Deflator  Inflation rate |
| 6/20 |  | **EXAM I** |
| 6/23 | Chapter 6 | Calculating a Price Index  Consumer Price Index – Problems in Measurement  GDP Deflator versus CPI  Nominal versus Real Revisited: Using Price Indices to index contracts  Real versus Nominal Interest Rates |
| 6/24 | Chapter 7 | Labor Productivity  The Production Function: Aggregate versus Per-capita output  A Simple Growth Model  Saving and “Catch Up” Effect  Property Rights, Political Stability, and Capital Accumulation  Population Growth: Benefit or Curse  Promoting Technological Change through R&D |
| 6/25 | Chapter 8 | Introduction to Financial Markets: Bonds versus Equity (Stocks)  Financial Intermediaries: Banks versus Mutual Funds  Saving and Investment  Loanable Funds Market in a Closed Economy  Government Debt, Deficits, and Crowding Out |
| 6/26 | Chapter 9 | Time Value of Money  Risk, Risk Aversion, and Insurance  Portfolio Diversification: Firm Specific Risk vs Market Risk  Fundamental versus Technical Analysis  Efficient Market Hypothesis  Random Walking Stocks and Managed Funds |
| 6/27 |  | **EXAM II** |
| 6/30 | Chapter 10 | Measuring Unemployment and Labor Force Participation Rates  Discouraged Workers and the Unemployment  Duration of Unemployment  Frictional versus Structural Unemployment  Job Search, Unemployment Insurance, and Frictional Unemployment  Minimum Wages, Union Wages, Efficiency Wages and Structural Unemployment  Current recession: Why is Recovery taking so Long? |
| 7/1 | Chapter 11 | Functions of Money – Defining Money  Commodity versus Fiat Money  Official Definitions of Money: M1 versus M2  Federal Reserve System  Fractional Reserve Banking and the Money Supply (Money Multiplier)  FED Control of the Money Supply (why limited)  Federal Funds, Discount, and Market Rates of Interest |
| 7/2 | Chapter 12 | Level of Prices and the Value of Money  Classical Dichotomy and Monetary Neutrality  Quantity Theory of Money  Inflation Tax  The Fisher Effect: Real versus Nominal Interest Rates  Costs of Inflation (Anticipated versus Unanticipated) |
| 7/3 |  | **EXAM III** |
| 7/4 |  | **NO CLASS** |
| 7/7 | Chapter 13 | Open versus Closed Economy  International Flows of Goods and Capital  Balance of Payments; Trade Balance; Capital Account Balance  Equality of Net Capital Outflows and Net Exports  Loanable Funds Market for an Open Economy  U.S. Trade Deficits and Borrowing from the R.O.W.  Nominal versus Real Exchange Rates  Purchasing Power Parity |
| 7/8 | Chapter 15  (skip 14) | Short Run Fluctuations – The Business Cycle  Aggregate Demand Curve – Moving Along  Aggregate Demand Curve – Shifts In  Aggregate Supply Curve – Long Run – With Comparative Statics  Aggregate Supply Curve – Short Run – With Comparative Statics |
| 7/9 | Chapter 16 | Liquidity Preference and Interest Rates in the Short Run  Monetary Policy: Transmission Mechanism  Money Supply versus Interest Rate Targets  Short Run versus Long Run (neutral) effects of Monetary Policy  Fiscal Policy – Multiplier and Crowding Out  Automatic Stabilizers |
| 7/10 | Chapter 17 | Phillips Curve  Phillips Curve and the AS Curve  Short Run versus Long Run Phillips Curve  Recent American History: 1960’s FED accommodation of Fiscal Expansion  Recent American History: 1970’s Price Controls and Supply Shocks  Recent American History: Volcker Disinflation/Recession  Greenspan Era: Is inflation correctly measured?  Bernanke’s Challenges: Has natural rate of unemployment risen? |
| 7/11 |  | **FINAL EXAM** |