Economics 132.01
Principles of Macroeconomics

Fall 2010

Tuesdays and Thursdays, 10:30 – 11:45am
Devlin Hall, Room 008

Professor Peter Ireland
21 Campanella Way, Room 444
Tel: (617) 552-3687
e-mail: irelandp@bc.edu

Office Hours: Tuesdays and Thursdays, 12noon – 1pm

http://www2.bc.edu/~irelandp/ec132.html

Course Description

This course is one of two introductory courses in economics that: (i) are required for students in the College of Arts and Sciences majoring or minoring in economics, (ii) are required for all students in the Carroll School of Management, and (iii) fulfill the Social Science Core requirement.

EC131, Principles of Microeconomics, studies how individual households and firms make decisions and how they interact in individual markets.

EC132, Principles of Macroeconomics (this course), studies the economy as a whole, to explain how economic events affect many households, firms, and markets simultaneously.

These two courses may be taken in any order; and, to satisfy the University Core requirement, one of them may be taken together with another Social Science Core course. To every extent possible, I will make this course in Macroeconomic Principles self-contained and not dependent on prior knowledge of the material covered in Microeconomic Principles.

Course Materials and Resources


You will automatically gain access to an electronic version of this textbook by registering through the Aplia website, as described below. If you find it advantageous to have a physical copy of the textbook as well, you will in most cases save money if you purchase it through the Aplia website.

Homework Assignments: Will be available through the Aplia website, described in more detail below.

Lecture Notes: My lecture notes, based on Mankiw’s book, will be freely available through the course webpage: http://www2.bc.edu/~irelandp/ec132.html.
**Class Presentations:** Copies of presentation slides that we will discuss in class will be available through the same course webpage.

**Supplementary Material:** Links to additional material that we will discuss in class, such as official government press releases, newspaper or magazine articles, and other related webpages, will also be available through course webpage.

**Previous Exams:** Copies of exams from the past three years are also available through the course webpage. You might find it helpful to work through the questions on past exams as a way of preparing for this year’s exams.

**Weekly Discussion Sections:** Will be run on various days at various times by several teaching assistants. Sign-up sheets for discussion sections will be distributed and collected during drop-add period. The TAs will use these discussion sections to hand back your graded exams and to review, discuss, and answer any questions that you might have about the problem sets, exams, and the course material in general. The TAs will also hold regular weekly office hours. The teaching assistants are here to help you as well as me, so please don’t hesitate to go to them with any questions or concerns that you might have about the course!

**Course Requirements and Grading**

Your grade for this course will be based on three exams and a series of homework assignments.

For the exams, you will be held responsible for material covered in: (i) our in-class discussions, (ii) the relevant chapters of Mankiw’s textbook, (iii) the lecture notes, (iv) any supplementary material that we discuss in class, and (v) the homework assignments.

**Exams:** The exams will be held during our regular class meeting times on Thursday, October 7, Thursday, November 11, and Thursday, December 9.

**Homework Assignments:** Homework assignments covering material from each of the chapters from Mankiw’s book that we discuss in class will be made available through the Aplia website and will be due on dates announced ahead of time in class. Instructions for registering for Aplia are given on the last page of this handout. The web-based software provided by Aplia will allow you to work on and submit your answers to these assignments online and receive immediate feedback as your answers are automatically graded. It is fine for you to work together with other students on these homeworks, but I expect each of you to submit your own individual answers for grading. It can often help, in learning the course material, to discuss the homework questions with your classmates. But also keep in mind that the purpose of the assignments – namely, to help you learn the material – is defeated if you simply take your answers from someone else without really thinking about them yourself.

**Grading System**

**Homework Assignments:** I will drop the two lowest scores in percentage-point terms that you receive on the Aplia homework assignments and then weight each of the remaining assignments equally to determine 10 percent of your course grade.
Exams: I will drop the lowest score in percentage-point terms that you receive across the three exams. Each of the two remaining exams will then determine 45 percent of your course grade.

Course Grades: After weighting your problem set and exam scores as described above, I’ll translate your numerical score in percentage points to a letter grade using the standard scale, according to which 93-100 is an A, 90-93 is an A-, 87-90 is a B+, 83-87 is a B, 80-83 is a B-, 77-80 is a C+, 73-77 is a C, 70-73 is a C-, 67-70 is a D+, 63-67 is a D, 60-63 is a D-, and 0-60 is an F.

Policies on Late Homework Assignments, Missed Exams, and Extended Absences

Late Homework Assignments: Please understand that the Aplia website will not accept homework assignments completed after the announced due date. Partly for this reason, I have adopted the policy described above, according to which I will drop the two lowest scores that you receive on those assignments. This gives you some insurance against being sick, having personal or technical difficulties that prevent you from completing any given assignment on the due date, or just having a bad or busy day. If for whatever reason it simply isn’t feasible for you to complete one or two of the assignments on time, that’s ok: you will still be able to earn a good grade for the course as a whole, provided such events are isolated and that you otherwise complete the assignments regularly.

Missed Exams: Make-up exams will not be given. Again, part of the idea behind dropping your lowest exam score, as described above, is to provide you with some insurance against being sick, having a schedule conflict, having personal difficulties, or just having a bad or busy day when one of the exams is being held. If you have to miss one of the exams, I’ll just base your grade for the course on the Aplia homeworks and the two exams that you are able to take, using the same 10-45-45 percent system described above.

Extended Absences: If very exceptional circumstances make it impossible for you to take at least two of the three exams, complete most of the homework assignments (keeping in mind that you can work on the Aplia problems from any location on or off campus where you have internet access), or come to class regularly for an extended period of time, please let me know, by email if necessary, as soon as you can. In that case you should also notify your class dean as well, so that we can come up with a workable plan for you to still get credit for the course, if at all possible.

Academic Integrity

Boston College values the academic integrity of its students and faculty. It is your responsibility to familiarize yourself with the University’s policy on academic integrity, which can be found at http://www.bc.edu/integrity. If you have any questions, please let me know.

Violations of academic integrity will be reported to your class dean and judged by the academic integrity committee in your school. If you are found responsible for violating the policy, penalties may include a failing grade as well as possible probation, suspension, or expulsion, depending on the seriousness and circumstances of the violation.
Office Hours

I will hold regular office hours (21 Campanella Way, Room 444) on Tuesdays and Thursdays from 12noon until 1pm. I will also be available at other times; to make an appointment, you can reach me by phone at 552-3687 or (preferably) by email at irlandp@bc.edu.

Macroeconomics as a Social Science: Organizing Principles

The Social Sciences are included in the University Core curriculum to help students understand the causes and consequences of human behavior and the dynamics and dimensions of social interaction. As a Social Science Core course, EC132, Principles of Macroeconomics, will focus specifically on questions including, but by no means limited to: (i) why do some economies grow more quickly than others, and what are the consequences for the well-being and happiness of the individuals that populate these economies? (ii) why does the rate of unemployment fluctuate over time within any given economy, and what can public policy do to minimize these fluctuations and the costs that they impose on society? (iii) why do some economies experience episodes of high inflation, and what can be done to prevent their reoccurrence? (iv) what shapes the trade-offs, if any, that societies face between inflation and unemployment, and what can policymakers do to best manage these trade-offs?

Throughout the semester, we will see how economists, as social scientists, use a combination of theory (hypotheses) and evidence (data) to address these questions. As we do so, we will come to see how a few basic principles underlie macroeconomists’ understanding of these issues. These three basic principles also help determine the organization of this course and are therefore reflected in the design of the course outline.

The classical dichotomy draws a distinction between what macroeconomists call “real variables,” variables like output or unemployment that are measured in physical units of goods or labor, and what macroeconomists call “nominal variables,” variables like prices that are measured in units of money (dollars).

The long-run neutrality of money says that, in the long run, changes in the money supply affect nominal variables but not real variables. The neutrality of money implies that in the long run, real and nominal variables can be studied separately. Output is determined mainly by the supplies of capital, labor, and natural resources, and the stock of technological knowledge, and unemployment is determined mainly by the workings of the labor market. Meanwhile, prices and their rate of change (inflation) are determined mainly by the government’s decisions to supply more or less money.

Although most macroeconomists believe that the neutrality of money holds in the long run, they also believe that there are important linkages between real and nominal variables in the short run. The most famous of these linkages comes through the Phillips curve, which describes the short-run relationship between inflation (a nominal variable) and unemployment (a real variable).
Course Outline

A. Introduction

0. Three Principles of Macroeconomics (See Above)
1. The Market Forces of Supply and Demand (Mankiw, Ch. 4)

B. The Data of Macroeconomics

2. Measuring a Nation’s Income (Ch. 23)
3. Measuring the Cost of Living (Ch. 24)

C. The Real Economy in the Long Run

4. Production and Growth (Ch. 25)
5. Saving, Investment, and the Financial System (Ch. 26)
6. Unemployment (Ch. 28)

D. Money and Prices in the Long Run

7. The Monetary System (Ch. 29)
8. Money Growth and Inflation (Ch. 30)

E. Short-Run Economic Fluctuations

9. Aggregate Demand and Aggregate Supply (Ch. 33)
Student Registration and Payment Instructions

Course Name: Ireland - Macroeconomics (Mankiw) - Fall 2010
Start Date: 08/23/2010
Instructor: Peter Ireland
Course Key: PYDS-PUX7-7MYB

You can begin working on your homework as soon as you register!

- In this course, you will use a textbook and Aplia's website.
- In most cases, you can save money if you buy Aplia and your textbook together. See payment options below.
- You will have access to a digital version of your textbook using Aplia.

Registration

If you have never used Aplia before...
2. Click the Create a New Account link and choose Student Account. You will then enter your course key: PYDS-PUX7-7MYB. Continue following the instructions to complete your registration.

If you have used Aplia before...
2. Sign in with your usual e-mail address and password and enter your Course Key when prompted: PYDS-PUX7-7MYB. If you are not prompted for a new Course Key, click the Enroll in a New Course button at the top of your My Courses page to enroll in a new Aplia course. Enter your Course Key when you are prompted.

* You will have different payment options after you register for your course. If you choose to pay later, you can use Aplia without paying until 11:59 PM on 09/12/2010.

Payment

Option 1: Digital Textbook with Aplia Access
- From Aplia: Purchase access to your course from Aplia's website for $80.00 USD.
- From Bookstore: Purchase an Aplia Access Card from your campus bookstore.

Option 2: Physical Textbook with Aplia Access (also includes digital textbook)
- From Aplia: Purchase access to your course for $80.00 USD and a physical book for $101.00 USD from Aplia's website.
- From Bookstore: Purchase an Aplia Access Card and a physical book together as a bundle from your campus bookstore.

* If you purchased an Aplia Access Card from a bookstore, enter the Access Card’s payment code on Aplia’s website as payment for your Aplia course.
* You will have access to your digital textbook up until the end of this course.