

BOSTON COLLEGE
Department of Economics

EC 132.16
Principles of Economics--Macro
Spring 1998

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Office Hours: Tue. 10:30-12:00
Thur. 11:00-12:00

I. Course Objective

The objective of this course is to learn the fundamentals of macroeconomics. In order to achieve this goal, you must become literate in the vocabulary, obtain a sound understanding of the concepts of macroeconomics including economic growth, unemployment, inflation, balance of trade, national income accounting, multipliers, fiscal policy, money and monetary policy, aggregate demand, aggregate supply, international trade, and international finance.

II. Required Text

Tresch, Richard W., Principles of Economics, West Publishing Company, 1994.

All readings in the course outline refer to Tresch.

III. Course Requirements

	<u>dates</u>	<u>% of final grade</u>
Problem Sets	weekly	15%
First exam	February 17, (Tuesday)	20%
Second exam	March 31, (Tuesday)	25%
Final exam	May 5, (Tuesday, 12:30 pm)	40%

IV. Course Organization and Expectations

- The final exam is comprehensive.
- You are held responsible for all readings, assignments and announcements made in class.
- Absolutely NO make up exams will be given in this course. Any valid excuse must be **approved through me prior to the exam**. Any excused exam that is missed will result in re-weighting of subsequent exams. The final exam must be taken. If school happens to be canceled (ex. snow day) on the day of the scheduled exam, the exam will be given on the next class meeting. Since the dates of the exams are known in advance, please plan your travel arrangements accordingly.

- Problem sets will be given throughout the course. The best way to learn economics is by solving problems. They are designed to help you study for the exam. Also remember that exam questions may be based on problem sets. It is therefore in your best interest to work on them thoroughly. You are required to TYPE your problem sets. Late problem sets are not to be graded.
- Class attendance is extremely important and active participation in class is strongly encouraged. You are always welcome to ask questions or raise an issue of interest. In certain cases, class attendance and participation will be considered when determining a borderline grade.
- If there is anything that you do not understand from the lectures, feel free to come see me during my office hours, or set up an appointment as soon as possible. Do not wait until the day before an exam to try to clarify or understand certain concepts. Also, the Academic Development Center (ADC), located on the second floor of O' Neill Library, provides free tutoring services. You should take advantage of those.
- There are no formal prerequisites for this class. However, certain mathematical skills up to and including some of high school algebra are essential. The most important skill is how to read and understand graphs. Also, you need to be able to manipulate fractions, simple equations, percentages, and decimals. The essential elements of the mathematical techniques required will be presented in class as we go along.
- **Academic Integrity:** Please be advised that cheating on any exam or quiz will not be tolerated and will result in an automatic failing grade on the exam or quiz in question. This will be the minimum action taken. Please refer to the page on Academic Integrity taken from the BC Student Handbook.

Course Outline:

I. Basic concepts (1 and 1/3 weeks)

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|---|------------------|
| A. Economic Problem, Opportunity Costs, Economic Exchange | Ch. 1 |
| B. Efficiency, Equity, Model, Margin | Ch. 2 (pp.18-29) |
| C. Microeconomics vs Macroeconomics | Ch. 2 (pp.31-33) |
| D. Production Possibilities Frontier and Long-run economic Growth | Ch. 3 (pp.38-57) |
| E. The Circular Flow of Economic Activity | Ch. 4 (pp.77-80) |
| F. The Laws of Supply and Demand | Ch. 5, 6, 7 |

II. Overview of Macroeconomics (3 weeks)

A. The Macroeconomic Policy Goals

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|---|---------------------|
| 1. Long-run economic Growth
(Review of production possibilities frontier and long-run economic growth) | Ch. 25 (pp.700-706) |
| 2. Full employment | Ch. 25 (pp.706-726) |
| 3. Price Stability | Ch. 26 (pp.732-752) |
| 4. Stable International Economic Relations | Ch. 26 (pp752-759) |

B. National Income Accounting	Ch. 27
(Also review the circular flow of economic activity)	
C. Modeling the Macro Economy	Ch. 28
III. The Theory of Income Determination and Macroeconomic Policy (7 weeks)	
A. National Income Determination and Fiscal Policy	
1. National Income Determination	Ch. 29
2. The Spending Multiplier and Fiscal Policy	Ch. 30
3. Automatic Stabilizers, Net Exports, and Budget Deficits	Ch. 31
B. Business Cycles	Ch. 32
C. Money, Banking, and Monetary Policy	
1. Principles of Money and Banking	Ch. 33
2. The Monetary System of the United States	Ch. 34
3. Monetary Policy	Ch. 35
D. Fiscal and Monetary Policy Mixes	Ch. 36
E. The Role of Prices and the Problem of Inflation	
1. Aggregate Supply and Aggregate Demand	Ch. 37
2. Controlling Inflation and Other Policy Issues	Ch. 38
IV. The Open Economy (As time permits) (1 and 2/3 weeks)	
A. International Trade and Trade Restrictions	Ch. 39
B. International Finance: Balance of Payments and Exchange Rates	Ch. 40