

BOSTON COLLEGE
Department of Economics

EC 132.19
Principles of Economics – Macro
Meeting Place: Cushing 331
T Th 3:00

Instructor: Charles Ian Mead
Office: Carney 33C
Phone: x2-8707
Office Hours: 12:00-1:00 T Th
and by appointment

Course Objective

The main objective of the course is to provide students with a sound understanding of the vocabulary, methodology and concepts used by professionals in the field of macroeconomics. The concepts introduced will be discussed in the context of the four common concerns of macroeconomists and policymakers: long-run economic growth, full employment, price stability and stable international economic relations. A second objective of the course is to improve students' analytical abilities so that they may begin to assess the validity of the concerns and policy prescriptions made by policymakers and economics regarding the state of the economy that are expressed in the popular press.

Required Text

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

Course Requirements

I will make every effort to aid students in learning the material presented in the course. However, it is the student who ultimately bears the responsibility of acquiring and demonstrating an understanding of the material. Students must demonstrate this understanding through the satisfactory completion of all exams and required assignments. With the exception of emergencies officially recognized by the school, no assignments will be accepted late without my prior approval. Students are responsible for all material referred to in the course outline and anything mentioned in class. Students are also responsible for understanding all of the rules regarding academic integrity presented in the BC Student Handbook. It should be assumed that any breach of these rules will be met with the maximum penalty permitted by the school. There are no official prerequisites for the class.

Grades

Grades will be based on a midterm exam, a final exam and a writing assignment. These course requirements are worth forty, forty-five and fifteen percent of the final grade, respectively. The writing assignment is due on April 8th. The midterm exam will be given in class on March 11th, and the final exam will be given on May 14th at 9:00 am. The final exam is comprehensive. A student's performance on numerous problem sets will be used as additional evidence of their understanding of the material. Although completion of these assignments is not required, an average homework grade that is higher than the final class average will boost a final grade by one notch, with the exception of a move from an A- to an A.

Course Outline

Page citations refer to Tresch. An asterisk (*) denotes that much of the material presented in class will be from other sources.

I. Introduction: Fundamental economic principles (1 week)

A. The economic problem	Ch. 1, 2; Ch.4 (pp. 77-80)
B. Society's economic problem	Ch. 3 (pp. 38-57)
C. Overview of markets in the U.S. economy	Ch. 4
II. Macroeconomic Goals (2 weeks)	
A. Long-run economic growth	Ch. 25 (pp. 700-706)
B. Full employment	Ch. 25 (pp. 706-725)
C. Price stability	Ch. 26 (pp. 732-752)
D. Stable international economic relations	Ch. 26 (pp. 752-758)
III. National Income and product accounts (1 week)	
A. Definitions of income	Ch. 27 (pp. 765-784)
B. Price deflators and real v. nominal GDP	Ch. 27 (pp. 784-792)
IV. New Classical v. New Keynesian perspectives (1 week)	
A. Modeling the circular flow	Ch. 28 (pp. 797-805)
B. Aggregate supply and demand*	Ch. 28 (pp. 805-812)
C. Characterizing the two schools of thought	Ch. 28 (pp. 819-820)
V. National income determination: the basic model (3 weeks)	
A. National income determination	Ch. 29
B. Fiscal policy	Ch. 30
C. Net exports and stabilizers	Ch. 31
D. Business cycles	Ch. 32
VI. Adding money and interest rates to the model (3 weeks)	
A. Nature of money and banking	Ch. 33
B. Monetary system of the U.S.	Ch. 34 (pp. 1009-1029)
C. Monetary policy	Ch. 35
D. Crowding out of fiscal policy	Ch. 36 (pp. 1037-1087)
VII. Aggregate demand management (1 week)	
A. Policy options	Ch. 36 (pp. 1087-1091)
B. Policy goals	Ch. 36 (pp. 1092-1100)
VIII. Adding the price level to the model (1 week)	
A. Revisiting aggregate supply and demand	Ch. 37 (pp. 1105-1113)
B. Mitigating effect of the price level on the multiplier	Ch. 37 (pp. 1113-1134)
C. Controlling inflation	Ch. 38
IX. International trade and finance (1 week)	
A. International trade	Ch. 39
B. The balance of payments	Ch. 40 (pp. 1207-1215)
C. Exchange rate systems	Ch. 40 (pp. 1215-1235)