

Principles of Macroeconomics (Economics 202, section F)

Miami University, Spring 2008

Course meets Monday, Wednesday and Friday, 1:00 – 1:50 pm, in Laws 301

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Office hours: Monday, 3:00-5:00 pm; Thursday 1:00-3:00 pm; Friday, 2:00-3:00 pm, and by appointment

Course web page: www.fsb.muohio.edu/craighead/Econ202.html

Macroeconomics examines the behavior of national economies. The central topics of the field are: (i) *economic growth* - changes in output over long periods of time, (ii) *business cycles* - short-term fluctuations and the effects of fiscal and monetary policy and (iii) *open-economy macroeconomics* - the interaction of national economies.

Economics 202 is a foundation course in the Miami Plan for Liberal Education. Factual material covered in this course will help students understand the context of economic issues. Theoretical material will provide students with tools to critically interpret public debates regarding economic policy. Students will engage with other learners by working with each other on exercises in class and problem sets. At the end of the class, students will be prepared to reflect and act on important public issues in a more informed manner.

Roughly 7-10 problem sets will be assigned during the semester. Students are encouraged to work together, but must turn in the assignments individually. Grades will be based on selected problems from each problem set. Each student will be asked to present an answer from a problem set to the class – the grade for this presentation will be counted as a problem set grade. Late assignments will not be accepted and no extensions will be granted. Each student's lowest problem set grade will be dropped.

Readings from various sources will be available through the course web page or library electronic reserve. There is no textbook for the course.

Grades will be calculated as a weighted average, based on the problem sets (15%), two in-class midterm exams (25% each) and a comprehensive final exam (35%). The first midterm exam will cover sections I, II and III on the course outline, and the second midterm will cover sections IV, V and VI. Dates for the midterm exams will be announced in class. Midterm exams will not be given late; in the event of a serious illness, family emergency or university-sponsored travel, students may request permission in advance to take exams early or to have weight added to the final exam grade in place of the midterm. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted within 5 business days after the exams are returned to the class. The final exam is scheduled for Wednesday, May 7, at 7:45 pm.

This syllabus and the outline and reading list are subject to changes, which will be announced in class.

Course Outline and Reading List

- I. Introduction
- II. Technology, Capital and Long-Run Economic Growth: The significant differences in output across time and between countries.
 - Keynes, J.M., "Economic Possibilities for Our Grandchildren," 1930. Reprinted in *Essays in Persuasion* (Norton, 1963)
 - Frank, Robert, "The More We Make, The Better We Want," *New York Times*, September 28, 2006
 - Varian, Hal, "Still Waiting for the Future of Leisure to Arrive," *New York Times*, March 8, 2007
 - The Economist*, "A Productivity Primer," Nov. 6, 2004
 - Harford, Tim, "The Shock of the New: What the History of the Dynamo Teaches About the Future of the Computer," *Slate*, June 9, 2007
- III. Macroeconomic Variables: How national output, inflation, unemployment and interest rates are defined and measured. Understanding these concepts allows us to be more informed consumers of economic data.
 - The Economist*, "Grossly Distorted Picture," Feb. 11, 2006
 - Leonhardt, David, "Life is Better; It Isn't Better. Which is it?" *New York Times*, Sept. 20, 2006
- IV. Aggregate Supply and Demand: A theoretical framework for understanding fluctuations in output and prices. In addition to providing tools for understanding economic fluctuations, this section will help us understand how economic models work, and why economists sometimes disagree with each other.
 - Samuelson, Paul A., "The House That Keynes Built," *New York Times*, May 29, 1983
- V. Fiscal Policy: Some facts about much our government spends, what it spends it on, and how we tax ourselves. How government spending and taxation can influence the economy.
 - Greider, William, "The Education of David Stockman," *Atlantic Monthly*, Dec. 1981
 - Bartlett, Bruce, "How Supply Side Economics Trickled Down," *New York Times*, April 6, 2007
 - Frank, Robert, "In the Real World of Work and Wages, Trickle-Down Theories Don't Hold Up," *New York Times*, April 12, 2007
 - Rubin, Robert E., *In an Uncertain World* (Random House, 2004), p. 118-131

- VI. Monetary Policy: How the Federal Reserve controls the money supply, how money affects the economy in the short-run and long-run. The tradeoff between inflation and unemployment and the debate over how monetary policy should be conducted.
- Woodward, Bob, *Maestro* (Simon and Schuster, 2000), chs. 3 & 4
 - Blinder, Alan, "Are the Fed Fights Over?" *New York Times*, Nov. 20, 2005
 - Goodhart, Charles, "The Money Man Who Rewrote the Rules," *The Guardian*, Nov. 16, 2006
 - Meyer, Laurence H., *A Term at the Fed* (Harper-Collins, 2004), ch. 6
- VII. Open-Economy Macroeconomics: The interactions of national economies, through trade, borrowing and lending and exchange rates.
- Buffett, Warren E. and Carol J. Loomis, "America's Growing Trade Deficit is Selling the Nation Out From Under Us." *Fortune*, November 10, 2003
 - Ferguson, Niall, "Our Currency, Your Problem," *New York Times*, March 13, 2003.
 - Rubin, Robert E., *In an Uncertain World*, ch. 1