

**Principles of Econ II: Macroeconomics**  
University of Michigan, Winter 2016  
Econ 102-200: TuTh 11:30-1:00 in 140 Lorch Hall

**Instructor:** Adam Stevenson ([adamstev@umich.edu](mailto:adamstev@umich.edu))

**Office Hours:** Lorch Hall, room 154, Tues & Wed, 1:30-3pm, and by appointment

**Head GSI:** Luis Baldomero ([luisbq@umich.edu](mailto:luisbq@umich.edu)).

**Website:** We maintain a CTools site for this course. It contains lecture notes, recordings of lectures (posted under the “Lecture Capture” link), homework assignments and answers, required non-textbook readings, and old exams with answers. Scores of all assignments will be posted.

**Course Summary:**

Macroeconomics is the study of economic behavior in aggregate – how an economy grows and changes, and perhaps most importantly, how (if at all) we can manipulate it in order to increase overall welfare. Almost by definition, macro is the study of generating the greatest economic benefits for the greatest number by the most efficient available means. Along the way, we will consider theories of money, trade, unemployment, business cycles and growth.

**Prerequisites:**

Previous completion of Principles of Micro (Econ 101) is strongly recommended but not strictly necessary to succeed (and hence it is an “advisory prerequisite”). While some time will be spent reviewing the most critical topics of Econ 101, this course should largely be seen as an extension of Econ 101 (and as a bridge to Econ 401). This course will expand your comfort in graphical and algebraic analysis, which I expect has already been developed to a reasonable level from Econ 101.

**Assigned Reading:**

You are required to read *Macroeconomics*, by Paul Krugman and Robin Wells. Any edition between the 2<sup>nd</sup> and 4<sup>th</sup> is fine, in any format (new v used; physical v electronic; purchased v rented) . We will read almost the entire book, plus some extra material posted on CTools. The reading required for a given day is listed the “Reading List” document in the CTools “Resources” folder, for each edition. See the “study advice for Econ 101 and 102” document in that same folder for my advice about how and when you should do the required reading. The tl;dr is: “skim before class, come to lecture, and read for detail after.”

I also require that you regularly read a major newspaper. I strongly recommend that you purchase [a 15-week subscription to the Wall Street Journal](#). The *WSJ* has (arguably) the best coverage of economic issues in the country, and completion of your article response assignments (discussed below) will be easiest if you obtain a *WSJ* subscription. You may, however, read any major print newspaper (the *New York Times*, *Chicago Tribune*, *Detroit Free Press*, *Financial Times*, etc) of your choosing.

**GSI and discussion sessions:**

Your GSI should be your first reference for course-based questions and concerns. Their job is to be accessible and helpful. GSI sessions are your best chance to get answers to questions that arise from your time in lecture or study. Please consult your GSI first when you have questions about basic administrative and coursework issues.

GSI session is devoted to review and solving problems based on the previous week's material. Problem solving includes review of the week's homework and a new practice problem that you will work through as a group. This problem solving practice is critical to your performance on the exams!

Each GSI will hold two sessions of office hours each week. One is for his or her own students, and the other will be a "pooled" session where any Econ 102 students may drop in. Once they are scheduled, the times and locations of all pooled office hours will be posted on CTools.

### **Evaluation structure**

I will follow the Department of Economics convention/tradition in assigning letter grades. This means approximately 25% of the class will earn some form of an A, and 1/3rd of the class will get Bs (including, in each case, the "plus" and "minus" version). There will never be extra credit or additional projects at any point. I will not re-weight the value of any assessment due to illness, outside circumstances, poor performance, or any other consideration, once it has been taken. If you are considering taking the class pass/fail, I strongly recommend that you ask my opinion in the matter first; in many cases it is not the best option available.

Your grade in this course will be evaluated on the basis of the following components (with relative weights in parenthesis), all of which complies with [Economics Department policy](#).

### **Exams**

(27% x 3 = 81%)

There will be three exams in the course. Two of these exams will be given during the term and one will be given during finals week. All three exams will have the same weight towards your overall grade, and all are non-cumulative (except to the extent that, for example, Chapter 15 material depends on comprehension of Ch 10 material).

There are no make-up or conflict exams given in this class. If you have another responsibility that prevents you from being able to take the exams at the times listed in the schedule below (like a job or another course) then you must re-schedule that obligation or drop this class. If you must miss an exam due to illness, you must inform me of your illness BEFORE the time of the exam, and you must fill out the [official verification form](#) (linked on the Econ Department's "undergrad policies and procedures" webpage). A medical professional must attest that you were actually ill and unable to take the exam at the time it was administered. If you have an excused absence for the exam, I will waive your responsibility for taking it. The two exams you do complete will each be worth 40.5% of your overall grade.

Also in accordance with Department policy, after each exam is returned, you have 10 days to submit an official appeal to your grade, if you believe your exam was graded unfairly. A document with full details of the grade appeal policy is posted on the CTools site.

### **Attendance: in-class practice problems:**

(5%)

You must use an i>clicker for this class. I will use them starting in the second lecture. I will ask a number of questions in each lecture. Each day's participation will have the same value towards your final grade. I assign points for both participation and correctness, but most points - around 80% - are for simple participation. We will drop your 5 lowest daily scores, meaning you can miss that many days

with no grade penalty – that’s a “required” 74% attendance rate. This drop policy covers participation that was not observed for **any** reason, including (but not limited to) malfunctioning clickers and absences due to sports, job interviews, or illness. I will begin to assign grades based on clicker usage starting on the 5<sup>th</sup> lecture, on September 22<sup>nd</sup>. Register your clicker on our CTools site before this date.

Homework practice problems:

(5%)

Most weeks (see the course outline below for exact due dates), there will be a problem set due in GSI session. The questions are listed in the “homework compendium” posted on CTools. HW will be graded on two point scale. If your GSI determines that you put in a good-faith effort to get the correct answers, you will get full credit for that submission. The primary criteria for determining a good faith effort are whether you 1) attempt to correctly answer every question and 2) show the steps you took to arrive at your answer. You may work with classmates on your homework, but each student must submit their own write-up of the results. Homework points are assigned as follows:

2 points: The submission is a “good faith effort”.

1 point: Assignment submitted, but there is insufficient effort. Many questions, or important questions, were skipped. Little work is shown, or that work is sloppy, unclear, or inadequate to derive the answers given.

0 points: No assignment submitted.

We drop your single lowest HW score. No late assignments are accepted. Please submit your homework stapled, without tattered edges, and with your name written on it. We will dock one point per assignment where you fail to do this.

*Important:* in lecture, I introduce the main concepts and models of the class. In many cases, it is in the HW that we build and explore the mathematical structure of the model, and it is in your GSI section where we discuss how to work through these problems. HW problem sets do not just “check your knowledge”; they are designed to give you **new** knowledge. They are a learning tool! Some parts will be quite difficult, and answer keys should be treated as required readings. Questions similar to the HW will constitute a substantial portion of the exams. If you want to succeed in this class, you must struggle with the HW assignments, and you must understand their solutions.

Article Responses:

(3% x 3 = 9%)

You will submit three article responses over the semester. For each, you will find a **news** article from a major newspaper or periodical that 1) was published during our class, but after the previous response was due, and 2) relates to a course topic taught in our class, but after the previous response was due. We will not accept articles from aggregators – Google, Yahoo, AP feeds, etc, nor from blogs or opinion pieces, even if they are hosted on news sites. We do not accept late article responses.

You must describe in your own words the issues presented in the article, and then summarize how the material taught in class explains the information, events, or phenomenon in the article. This economic explanation must relate to a *theoretical* graph (that is, one with some sort of equilibrium, like S&D, the PPF, etc). The graph must be drawn and included in your response. You must submit your response and the article (in physical form) to your GSI in the session indicated by the schedule. Late responses are not accepted.

Please use the form at the end of this syllabus to submit these responses. The written component of the response should be no longer than one page (of 12-point, 1.5 spaced writing) long. Be brief! Responses will be evaluated in a very simple manner, out of 5 points.

5 points: successfully and correctly a) summarizes the article (gets “the facts” right), b) assess the relationship between the article and the textbook, c) includes a classroom theoretical, analytical graph illustrating the policy or event described in the article.

4 points: didn’t do one of the things necessary for a 5-point answer correctly

3 points: didn’t do two of the things necessary for a 5- point answer correctly

2 points: write-up is not satisfactory, but the article is from the relevant time period, and addresses a topic from the relevant portion of the course

1 point: write-up is not satisfactory, and the article does not cover relevant issues

0 points: no article submitted

### **Misc. Rules:**

**Electronic Devices:** Silence your cell phones, pagers, and whatever else you have that makes noise. Despite what you may think, it is very obvious when you’re watching YouTube or Yik Yakking in class. Please consume your (non-course-related) media elsewhere than in class – it’s distracting to me, and to your peers around you. I reserve the right to ban all laptops from the class if this becomes an issue.

**Students with Disabilities:** If you need alternate exam accommodations (such as extended time) due to a disability, you must submit your official SSD VISA accommodations form to Dr. Stevenson at least 2 weeks before the exam for which you are requesting accommodation. If you submit your form late, you will NOT receive the requested accommodation. Space must be reserved ahead of time.

**Calculators:** There will be numerical questions on the exams. You will want to use a *scientific* calculator on the exams, but you may only use ones that are *non-programmable*. This rule excludes the use of most graphing calculators – the graphing functions will never be useful, and the incentive to use them to cheat is too great. You may NOT use your cell phones, Blackberries, PDAs, or any other multi-purpose electronic devices for their calculator functions. Single-line calculators are preferable.

**E-etiquette:** I will delete, without responding, any email that does not include at least a salutation, an indication of who is writing, and some semblance of the proper format (a rubric that includes reasonable attempts at spelling and the proper use of the shift and caps lock keys). In the real world, people do not take this kind of communication seriously, and I certainly do not, so please refrain. Please also state that you are in my Econ 102 course, preferably in the email title.

**Academic Misconduct and Plagiarism:** I follow [Economics Department policy](#) with respect to academic integrity. This means that if a course GSI or I suspect you of plagiarism, cheating on exams, or any other academic dishonesty in any of your work, I will notify you of such. Absent a compelling explanation, your name will be forwarded to the Dean of Student Affairs. If your academic misconduct is “documented” by the Dean, then you will automatically fail the entire course (in addition to any University punishments assigned by the Dean). While I very much encourage students to study and prepare for class together, I expect that all work submitted is the student’s own.

## Course Outline

Below is an outline for the course. If the pacing of the course needs to be adjusted, I will make an announcement in class and on CTools. The calendar of due dates will not change.

	Mon	Tues	Thurs	GSI section
Jan			7 Class intro	
	11	12 S&D and equilibrium math	14 PPF basics	HW 1 due
	18	19 Macro Choice 1 – the social planner	21 Macro Choice 2 – the market system <b>Clicker attendance starts</b>	HW 2 due
	25	26 The size of the economy	28 Growth basics	HW 3 due
Feb	1	2 Solow growth & growth policy	4 Inflation and unemployment	HW 4 due <b>Article response 1 due</b>
	<b>8 EXAM 1 @ 8pm</b>	9 NO CLASS	11 Savings and investment	NO SECTION
	15	16 The Keynesian framework	18 Equilibrium in the short run	HW 5 due
	22	23 The theory of short run economic fluctuations	25 Fiscal policy	HW 6 due
Spring break Feb 29 – March 4				
March	7	8 Debt and the budget deficit	10 Money and banking	HW 7 due <b>Article response 2 due</b>
	<b>14 EXAM 2 @ 8pm</b>	15 NO CLASS	17 The theory of monetary policy	NO SECTION
	21	22 “Practical” monetary policy	24 Money in the “usual” times: the Philips curve	HW 8 due
	28	29 Money in “unusual” times	31 Trade 1 – The pro-trade argument	HW 9 due
April	4	5 Trade 2 – The distribution of the gains from trade	7 Trade 3 - policy in GE and measuring trade	HW 10 due
	11	12 Foreign exchange markets	14 Beyond Econ 102	HW 11 due <b>Article response 3 due</b>
	18	19 NO CLASS	<b>EXAM 3: Thursday, April 21<sup>st</sup> @ 1:30pm</b>	

**Article Response**

*Attach article to this form, draw graphs on back*

Name \_\_\_\_\_

GSI \_\_\_\_\_

Article title:

Article source and date:

Economic topic (and lecture number or textbook chapter):

What is the article about? Briefly summarize the issues in a non-technical way.

What are the economics of the article? How does a recent topic covered in the course explain the subject matter of the article?