

Princeton University  
**Introduction to Macroeconomics**  
Spring 2012

**Prof. Alicia Adsera**  
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Office Hours: 1:30-3:00 Tuesday (or by appoint.).  
I am also available in the lecture hall to answer questions after lectures.

Meixia Zhang, email: [meixiaz@princeton.edu](mailto:meixiaz@princeton.edu) will be the administrator for the course.  
All class/precept assignments changes must be cleared with Ms. Zhang.

**Class Organization**

The course will consist of two lectures (M & W 2:30-3:20, McCosh 50) and one precept per week. (**Precepts start FIRST week of classes: Wed February 8th**). During the precept we will work on problems; we will go over questions from the lecture material and present new supplementary material and we may discuss some papers or case studies from newspapers related to the topics under discussion in class.

There will be one midterm, 7 problem sets and one final examination. Exams are closed-book. All the readings and news articles uploaded on blackboard during the semester are fair game on exams as indicated. Problem sets will cover the concepts and material presented in lectures and in precepts. You can work/discuss the problem sets with classmates, but you need to hand your own work in your own words.

There will be *no early* exams under any circumstances. *Don't even ask.*

**Grading:**

Your grade for the course will be based on your performance on the following items:

Midterm Exam (Wed. <b>March 14</b> )	35%
Final Exam (Comprehensive)	50%
Problem Sets	15%

Any student caught cheating on any component of the course may automatically receive a *failing grade for the entire course.*

**Textbook and Class materials**

The textbook for the course is *Macroeconomics: Principles and Policy*, 12th Edition  
William J. Baumol & Alan S. Blinder

The text is available at Labyrinth. The publisher offers several learning aids. They can be found by searching for “cengage baumol principles”. Use them as you find them helpful, but nothing from these sources is required.

I will also use some sections of *Principles of Macroeconomics* by N. Gregory Mankiw and they will be available on blackboard.

Blackboard: The readings, assignments, and power point presentations of the classes will be available in blackboard. I will post the power point presentations of the lecture in blackboard before each lecture.

Any readings, additional notes I may prepare or relevant newspaper articles I may add will also be posted in blackboard. An email will be sent to the class any time some new material is uploaded.

I would encourage regular reading of relevant articles in newspapers such as the *Financial Times*, the *Wall Street Journal*, and the *New York Times* or in magazines such as *The Economist* (which is available to all of you online). These readings will enhance your understanding of the material and allow you to apply what you learn to everyday issues. I will assign a few articles from these publications during the semester.

### **Class Etiquette and Advice**

Lateness, cell phones, texting, private conversations and any behavior that disrupts me or your colleagues will be considered inappropriate.

The material in the class is cumulative. If you keep up to date on a week-by-week basis, most of you will find the material in the class fairly easy. However, trying to absorb all the concepts at the eleventh hour is not a good strategy for success.

### **Course Overview**

The course focuses on the operation of the national economy, with emphasis on the causes and consequences of recessions and booms, inflation and unemployment--and possible policy responses to each. Over the semester you will become familiar with the construction and use of several macroeconomics statistics (unemployment, GDP, inflation, price indexes, monetary aggregates). The course will also devote some time to the theories that explain growth. Finally, it will close with an analysis of the workings of an open economy. We will study both the gains from trade and the implications of different exchange rates regimes on the use of fiscal and monetary policies. References to current events will be included in the lectures and precept discussions.

### **Course Outline**

Read B & B Ch. 1 & 2 (as a warm-up)

The Appendix to Chapter 1 is *remedial*. You should be more than comfortable with those concepts before the start of the semester.

**Week 1: February 6 & 8**

The Fundamental Economic Problems B & B Ch 3.  
Supply and Demand B & B Ch. 4  
(First precept is on supply and demand)

**Week 2: February 13 & 15**

An Introduction to Macroeconomics: Aggregate Supply and Demand B & B Ch. 5  
National Income Accounting. The measurement of GDP, GNP and their components.  
Appendix to B & B Ch 8

*Problem Set #1 due in precept*

**Week 3: February 20 & 22**

The goals of Macroeconomic Policy: Growth B & B Ch. 6 Part 1  
Economic Growth: Theory and Policy B & B Ch. 7

**Week 4: February 27 & 29**

Economic Growth: Lessons from the data

The goals of Macroeconomic Policy in the short run: Low Unemployment and Low  
Inflation Ch. 6 Part 2 and 3  
Measuring Unemployment  
Measuring Price indices (Appendix B & B Ch 6)

*Problem Set #2 due in precept*

**Week 5: March 5 & 7**

Keynesian model of the determination of national income (Really a model of aggregate  
demand)  
Aggregate Demand and the Powerful Consumer B & B Ch 8  
Demand-side Equilibrium: Unemployment or Inflation? B & B Ch. 9 (Including  
Appendix A & B)

*Problem Set #3 due in precept*

**Week 6: March 12 & 14 (Midterm Week)**

Bringing in the supply side: Unemployment and Inflation? B & B Ch. 10

**Midterm Exam** will take place on Wednesday, **March 14** (during regular lecture time)

**HAVE A NICE SPRING BREAK!!! March 19-23**

**Week 7: March 26 & 28**

The Debate over Fiscal Policy

Managing Aggregate Demand: fiscal Policy B & B Ch. 11

Budget Deficits in the Short and Long Run Ch. 16

*Problem Set #4 due in precept*

**Week 8: April 2 & 4**

Money and the Banking system B & B Ch. 12

Monetary Policy: Conventional and Unconventional B & B Ch. 13

**Week 9: April 9 & 11**

The debate over Monetary Policy B & B Ch 15 (up to the section “Debate: should the Government intervene at all?”)

The Trade-off between Inflation and Unemployment B & B Ch. 17

*Problem Set #5 due in precept*

**Week 10: April 16 & 18**

Policy Debate:

The debate over Fiscal Policy B & B Ch 15 (from “Debate: should the Government intervene at all?” till the end)

The Financial Crises and the Great recession 2007-2009 (?) B & B Ch. 14

**Week 11: April 23 & 25**

Open Economies:

International Trade and comparative advantage B & B Ch. 17

Policy discussion: Is there a case for protectionism?

Fixed and Fluctuating Exchange Rates

B & B Ch. 18

***Problem Set #6 due in precept***

**Week 12: April 30 & May 2**

Monetary and Fiscal Policy in an Open Economy

Policy discussions: The dollar and the overvalued Yuan; Was the EURO a good idea after all?

B & B Ch. 19

***Problem Set #7 due by Dean's Date (May 15<sup>th</sup>)***

There will be a review session during the reading period. The time and date will be announced later in the semester.