

The College of William and Mary

ECON 102: Principles of Macroeconomics

Section 2 (Mondays, Wednesdays and Fridays 8:00 – 8:50 a.m.)

Section 3 (Mondays, Wednesdays and Fridays 9:00 – 9:50 a.m.)

Section 4 (Mondays, Wednesdays and Fridays 12:00 – 12:50 p.m.)

Syllabus

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**Course Overview**

ECON 102 is the second course in the introductory economics sequence at the College of William and Mary. The first course in the sequence, ECON 101: Microeconomics, examines small-scale economic phenomena, such as individual markets, profit-maximization by a firm, etc.. Macroeconomics, which is the subject matter of ECON 102, focuses on economic performance at the aggregate level.

Macroeconomic topics covered in this course include: the economy's total output of goods and services and its influences; the unemployment rate and what governs it; federal government policies with regard to spending and taxes; the Federal Reserve and monetary policy; and inflation. Please see Course Outline and Reading Assignments section below for a detailed list of topics covered.

If I were to identify five core competencies I hope you take away from the course, they would be the following:

1. The ability to analyze federal government policies with regard to spending and taxes.
2. An understanding of the Federal Reserve system and how it influences interest rates and the overall level of economic activity.
3. The ability to use basic macroeconomic models to analyze the economic impact of exogenous shocks to the economy.
4. An understanding of the macroeconomic linkages between different countries.
5. The ability to distinguish macroeconomic nonsense from macroeconomic sense.

In addition to these five core competencies, I would hope that you leave the class with the following, more narrowly focused takeaways:

1. Why monetary policy is like pushing on a string to alleviate a recession.
2. Why thriftiness is a virtue at the individual level, but an economic problem at the aggregate level.
3. Why each dollar of spending on newly produced goods and services stimulates the economy by more than a dollar.
4. Why a decrease in the trade deficit may mean that the economy is actually doing worse.
5. Whether a tax cut stimulates the economy may depend on whose taxes get cut.

Successful completion of this course satisfies the College of William & Mary's General Education Requirement (GER) 3. This course also carries the Cultures, Societies, and the Individual (CSI) knowledge domain attribute for the COLL curriculum.

### **Course Prerequisite**

You need to have taken and passed ECON 101: Introductory Microeconomics at William and Mary, or its equivalent at another institution, in order to take ECON 102.

### **Text and Course Materials**

As you learned in your introductory microeconomics course, a monopoly exhibits a number of evils. These include a deadweight loss, X-inefficiency and rent-seeking behavior. The market for a new college textbook is an excellent example of monopoly, as only the publisher holding the copyright is allowed to produce the book.

As part of my personal war against monopoly, I do not require my students to purchase the latest edition of the assigned textbook for the course, *Macroeconomics*, 4<sup>th</sup> edition by Paul Krugman and Robin Wells, which would set you back anywhere from \$80-\$227, depending on whether you can find a used version, if you were to purchase it. Instead, we will be using the 3<sup>rd</sup> edition of this textbook, which is available in the highly competitive market for used versions of previous editions of textbooks. In fact, you can purchase it on-line, e.g. through Amazon, for about \$12, shipping included.

When you purchase the textbook, make sure you get the 3<sup>rd</sup> edition, not the 4<sup>th</sup> edition, unless you happen to stumble across a used version of the 4<sup>th</sup> edition that is cheaper than any copies of the 3<sup>rd</sup> edition still available, or if you want to show off to the other students some textbook bling by purchasing the 4<sup>th</sup> edition new. Also, make sure its title is *Macroeconomics*, not *Microeconomics*. The publisher also publishes *Microeconomics* by Krugman and Wells, and its cover is identical to the textbook we will be using, except for an "i" replacing an "a" in the title.

You will need to bring to each class meeting a wifi-enabled cellphone, tablet or laptop computer that has a browser loaded on it. We will be using Poll Everywhere, an internet-based clicker technology for in-class practice problems we will be doing. It costs \$14 per year to subscribe to Poll Everywhere, but the subscription fee covers its use in all classes where the instructor has adopted it. If you purchased a subscription to Poll

Everywhere last semester, you do not need to purchase it again. Further instructions on Poll Everywhere will be provided shortly.

### **Course Requirements and Grading**

Course requirements consist of five regular exams and one final exam. The following weights will be given to the course requirements when your course grade is calculated:

Regular Exams	70% (14% each)
Final Exam	30%

The regular exams will not be cumulative, but the final exam will be. Detailed study guides for the examinations will be distributed in advance of each exam. Practice problems galore, self-tests and practice exams will be posted on the course website to help you prepare for the exams also. In addition, I will be posting a set of on-line tutorials, with embedded self-quiz questions, that was produced by a group of economics faculty here at William and Mary. The tutorials and embedded quiz questions will not count toward your grade, but you will almost certainly do better on the exams if you take the tutorials. One reason, but not the only reason, for this is that up to two questions on each exam will be modelled on (note: not identical to) examples or quiz questions found in the tutorials.

If your score on the final exam is higher than your lowest regular exam score, your score on the final exam will replace your lowest exam score. Please note that this can be done for only one regular exam score. See Course Outline and Reading Assignments for the dates of the exams.

If you are eligible for accommodations on examinations, please make arrangements with Student Accessibilities Services at least two weeks in advance of the first exam. They will provide such accommodations.

At the end of the semester, your weighted average course score will be calculated by applying the weights, listed above, to your scores on the exams. Your weighted average course score will then be converted to a letter grade using the following scale: 93% and higher = A, 90%-92% = A-, 87%-89% = B+, 83%-86% = B, 80%-82% = B-, 77%-79% = C+, 73%-76% = C, 70%-72% = C-, 67%-69% = D+, 63%-66% = D, 60%-62% = D-, and 59% and below = F. This grade scale will be applied strictly to all students and no exceptions or special favors will be granted.

### **ADA Accommodation Statement**

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels s/he may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2509 or at

sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see [www.wm.edu/sas](http://www.wm.edu/sas)

### **Missed Exam Policy**

A student who misses a regular exam will receive a score of zero on it, and the student's score on the final exam would then replace the zero at the end of the semester. This accommodation will be made automatically in cases where students miss only one exam. In extenuating and uncontrollable circumstances, such as severe illness requiring medical attention or participation in College-sanctioned events precluding a student from taking an exam, a student may be allowed to have her/his final exam score replace a second missed regular exam score of zero. In these cases, the student must present documented and credible evidence of such extenuating and uncontrollable circumstances.

The final exam is cumulative and mandatory. Make-up final exams will be available only in extraordinary circumstances with documentation from the office of the Dean of Students.

### **Opportunities for Extra Credit Work**

No way! If Student A outperforms Student B on the common set of assessments, i.e., the exams, Student A deserves to be recognized with a higher course grade than Student B. If Student B were allowed to do extra credit, then he/she may end-up with the same or even a higher course grade than Student A, which would not be fair to Student A. This is not going to happen in my class. No way!

### **Drop/Add Deadline**

If you find that you simply cannot tolerate looking at my bald head and big nose, listening to my creaky, Midwestern-accented voice, and being offended by my obnoxious personality, the deadline for drop/add is January 27.

### **Policy on Student Cheating**

Use of any unauthorized outside sources when completing graded work will be deemed a violation of the College's Honor Code, and cases where this happens will be referred to the Honor Council.

### **Office and Office Hours**

My office is 241 Tyler Hall, and I will hold office hours there from 10:00-11:00 a.m. and from 1:00-2:00 on Mondays, Wednesdays and Fridays. As those of you who took me for ECON 101 already know, I basically have an open door office hours policy. I prefer that students meet with me during my designated office hours, but it is not

necessary that they limit themselves to these blocks of time. Normally, when I am in my office, even outside of office hours, I keep my office door open. I do that so that anyone so inclined can walk right on in and chat with me – no need to even knock. The exception to this practice is when I need to concentrate hard and think about something I am working on, in which case I keep my door closed. However, this does not happen very often, since I do not think very often.

### **Course Outline and Reading Assignments (Dates Tentative):**

**Reading assignments should be completed by the beginning of the week indicated, except for the first reading.**

<u>Week of</u>	<u>Topic(s) and Reading Assignment</u>
Jan. 18	1. Introduction to the course. 2. Overview of macroeconomics Assigned Reading: Text, Chap. 6 (finish by Jan. 20).
Jan. 23	1. Gross Domestic Product: The measure of an economy's output of goods and services. 2. The Consumer Price Index: A measure of the cost of living. 3. Other price indices. 4. The circular macroeconomic flow of production, income and spending. Assigned reading: Text, Chap. 7.
Jan. 30	1. Price indices, continued. 2. How inflation is measured. 3. The unemployment rate. 4. The types of unemployment. Assigned Reading: Text, Chap. 8.
Feb. 6	1. Long-run economic growth. Assigned reading: Text, Chap. 9.
*An optional extra help session, in which we will go over practice problems in preparation for the first regular exam, will be held from 6:00 p.m. until whenever on Monday, February 6. Location TBA.	
*The first regular exam will be held on Wednesday, February 8.	
Feb. 13	1. Saving, investment and the financial sector. Assigned Reading: Text, Chap. 10.
Feb. 20	1. The income-expenditure, or Keynesian, view on the determination of the state of the macroeconomy. 2. The spending multiplier. Assigned reading: Text, Chap. 11, including appendix.

\*An optional extra help session, in which we will go over practice problems in preparation for the second regular exam, will be held from 6:00 p.m. until whenever on Monday, February 20. Location TBA.

\*The second regular exam will be held on Wednesday, February 22.

Feb. 27            1. The aggregate supply-aggregate demand view on the determination of the state of the macroeconomy.  
Assigned reading: Text, Chap. 12.

\* Class will not be held during the week of March 6, which is Spring Break.

March 13        1. The macroeconomic impact of government spending and taxation. 2. The tax multiplier.  
Assigned reading: Text, Chap. 13.

\*An optional extra help session, in which we will go over practice problems in preparation for the third regular exam, will be held from 6:00 p.m. until whenever on Monday, March 13. Location TBA.

\*The third regular exam will be held on Wednesday, March 13.

March 20        1. More on government spending and taxation.  
Assigned Reading: Text, Chap. 13.

March 27        1. Money and its relationship to the banking system. 2. The Federal Reserve.  
Assigned reading: Text, Chap. 14.

\*An optional extra help session, in which we will go over practice problems in preparation for the fourth regular exam, will be held from 6:00 p.m. until whenever on Monday, March 27. Location TBA.

\*The fourth regular exam will be held on Wednesday, March 29.

April 3           1. More on the money supply and the Federal Reserve.  
Assigned reading: Text, Chap. 15.

April 10        1. Federal Reserve policy tools to influence interest rates and spending.  
Assigned reading: Text, Chap. 15.

\*An optional extra help session, in which we will go over practice problems in preparation for the fifth regular exam, will be held from 6:00 p.m. until whenever on Monday, April 10. Location TBA.

\*The fifth regular exam will be held on Wednesday, April 12.

- April 17      1. The channels through which monetary policy impacts the macroeconomy.  
Assigned reading: Text, Chap. 15
- April 24      1. International trade, exports and imports. 2. The relationship between international trade and international borrowing and lending.  
Assigned reading: Text, Chap. 19

An optional extra help session, in which we will go over practice problems in preparation for the final exam, will be held from 6:00 p.m. until whenever on Friday, April 28.  
Location TBA.

**The final exam for Section 2 will take place from 9:00 a.m. – 12:00 p.m. on Wednesday, May 3.**

**The final exam for Section 3 will take place from 9:00 a.m. – 12:00 p.m. on Wednesday, May 10.**

**The final exam for section 4 will take place from 9:00 a.m. – 12:00 p.m. on Tuesday, May 2.**

The instructor reserves the right to modify the order and dates of material covered and the dates of the regular exams. Of course, any such changes will be announced in advance.