

“Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.”

John Maynard Keynes

**ECON 101: MACROECONOMIC THEORY
SPRING 2006, POMONA COLLEGE
[HTTP://WWW.ECONOMICS.POMONA.EDU/SLAVOV/ECON101](http://WWW.ECONOMICS.POMONA.EDU/SLAVOV/ECON101)**

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Office hours: Tuesday 1-2 pm, Thursday 1-2 pm, Friday 10-11 am

Prerequisites:

Econ 51, Econ 52, Econ 58, Math 30. I will assume that you are familiar with all the mathematical tools covered in Econ 58 – partial derivatives, setting up and solving Lagrangeans, etc.

What is this course about?

This course will introduce you to the macroeconomist’s toolbox. Macro studies inflation, unemployment, and growth. For decades on end, the state of affairs in macroeconomics could best be described as a relentless war between two factions: “neoclassical economists” versus “Keynesians.” A new consensus has recently emerged, and Mankiw’s textbook offers a remarkably seamless synthesis of the ideas and insights of the two approaches. In the first half of the course (parts II and III in the textbook), we will adopt the neoclassical approach to study long-run equilibrium in the economy, as well as economic growth. In the second half (parts IV and V), we will study economic fluctuations. It turns out that the Keynesian paradigm still offers the best explanation for booms and recessions.

Lectures:

We will meet Tuesdays and Thursdays at 9:35 am in Hahn 108.

Textbook:

Mankiw, N. Gregory. Macroeconomics. 5th edition. Worth Publishers, 2003.

<u>Grading:</u>	Weekly short writing assignments (best 10 out of 12)	15%
	Homeworks (best 5 out of 7)	15%
	Midterm 1	20%
	Midterm 2	20%
	Final	30%

Sounds good so far but always make sure you read the small print:

The twelve weekly short writing assignments will be based on additional readings which I will distribute throughout the semester. They will be short and non-technical, and I will also post them online.

All assignments will be due on Tuesdays. The format for these assignments is quite flexible. Think of them as your reading notes. You may discuss the central points of the reading, its most illuminating insights, any disagreements you may have with the author(s), anything that puzzles you. Each assignment should be about 1-3 pages long. Assignments will be due in class only. I will not accept them before or after class, or over e-mail.

The due dates for homeworks are as follows: January 25, February 1, February 15, March 8, March 29, April 19, May 3 (all Wednesdays). Homeworks will be due by noon that day in a box right outside my office (Carnegie 207). Late homework will not be accepted. It is your responsibility to plan accordingly and submit your homework on or before the due date and time.

Use your freebies wisely. Save them for illness, travel, crunch in other classes, or any other unanticipated emergency.

Midterms will be on February 21 and April 4 (both Tuesdays), during regular class time. There will be no alternate midterm dates. The final exam will be on Friday, May 12, at 9:00 am. The final exam will be cumulative.

All exams will be closed-book, closed-notes.

I will drop one or both of your midterm scores if you do better on the final. Under these scenarios, the final will count for 50% or 70% of your course grade, respectively. You are allowed to skip one or both midterms. If you don't show up, the final exam will count for 50% or 70% of your grade. I strongly recommend against taking this strategy – it is risky and courts academic disaster. I urge you to take both midterms – they will never hurt your grade and can only help.

Take a careful look at all dates listed above. You should enroll in this class only if you can reconcile them with your travel plans and other commitments.

Please read all underlined passages above a second time.

Communication:

The course has a web page where I will post a calendar for the semester, the readings for the writing assignments, homeworks and solutions, and other good stuff. The address is:

<http://www.economics.pomona.edu/slavov/econ101>

Course outline:

Mankiw, Chapter 1 (The science of macroeconomics)

Mankiw, Chapter 2 (The data of macroeconomics)

Mankiw, Chapter 3 (National income: where it comes from and where it goes)

Bonus topic: Irving Fisher's theory of consumption, saving, and the real interest rate

Mankiw, Chapter 4 (Money and inflation)

Bonus topic: The Baumol-Tobin model of cash management (covered in Chapter 18)

Bonus topic: Seigniorage and inflation

Mankiw, Chapter 5 (The open economy)

Mankiw, Chapter 7 (Economic growth I)

Mankiw, Chapter 8 (Economic growth II)

Bonus topic: New growth theory

Mankiw, Chapter 10 (Aggregate demand I)

Mankiw, Chapter 11 (Aggregate demand II)

Mankiw, Chapter 12 (Aggregate demand in the open economy)

Mankiw, Chapter 13 (Aggregate supply)

Mankiw, Chapter 14 (Stabilization policy)

Mankiw, Chapter 16 (Consumption)

Mankiw, Chapter 17 (Investment)