

# Course Syllabus ECN201

## Macroeconomics

### (6 ECTS credits)

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## Course description

This intermediate-level course examines the determination of income, employment, the price level, interest rates and exchange rates in the economy. Piece-by-piece, we construct a model that describes how each of these variables is determined in the long- and short-run. We investigate issues of long-run growth, business cycles, international trade, and monetary and fiscal policy. We pay special attention to current developments, with an international and European perspective throughout.

## Course prerequisites

A one-semester principles of economics course covering both micro- and macroeconomics (ECN101), or a two-semester principles of economics sequence.

## Course objectives

By the end of this course, students have developed the following skills outlined in Hansen (2001, pp. 232-233):

1. Access existing knowledge: Retrieve information on particular topics and issues in economics. Locate published research in economics and related fields. Track down economic data and data sources. Find information about the generation, construction, and meaning of economic data.
2. Display command of existing knowledge: Explain key economic concepts and describe how these concepts can be used. Write a precis of a published journal article. Summarize in a two-minute monologue or in a 500-word written statement what is known about the current condition of the economy and its outlook. Summarize

the principal ideas of an eminent economist. Elaborate a recent controversy in the economics literature. State the dimensions of a current economic policy issue.

3. Interpret existing knowledge: Explain and evaluate what economic concepts and principles are used in economic analyses published in daily newspapers and weekly news magazines. Describe how these concepts aid in understanding these analyses. Do the same for nontechnical analyses written by economists for general purpose publications (...).

4. Interpret and manipulate economic data: Explain how to understand and interpret numerical data found in published tables (...). Be able to identify patterns and trends in published data (...). Construct tables from already available data to illustrate an economic issue. Describe the relationship among three different variables (e.g., unemployment, prices, and GDP). Explain how to perform and interpret a regression analysis that uses economic data.

## Course schedule

Read the Appendices only if specified. Study the **key concepts** (list on course web site) as we go along.

### Week 1

How the course is organized. Read Joseph Stromberg (2014, August 21). Why you should take notes by hand—not on a laptop. *Vox* (<http://www.vox.com/2014/6/4/5776804/note-taking-by-hand-versus-laptop>)

What is macroeconomics? Mankiw (2013, Ch. 1). The data of macroeconomics. Mankiw (2013, Ch. 2). The boxes “Stocks and Flows,” “Two arithmetic tricks . . .” and “What is Investment” are important; the sections “Other Measures of Income” and “The Establishment Survey” are not important (read only). Work problems 3, 5, and 8 pp. 40–41.

### Week 2

National income: where it comes from and where it goes. Mankiw (2013, Ch. 3): only read the introduction (pp. 45-46) and the circular flow for a closed economy (figure 3-1 p. 46); consumption, investment, and government purchases (pp. 62-66); and equilibrium in the financial markets—supply and demand for loanable funds (pp. 68-74). Don’t forget that assignment 1 is due next week.

### Week 3

The Monetary System. Mankiw (2013, Ch. 4). **Assignment 1 is due.**

### Week 4

Inflation. Mankiw (2013, Ch. 5).

## Week 5

The open economy. Mankiw (2013, Ch. 6).

## Week 6

Unemployment. Mankiw (2013, Ch. 7). **Assignment 2 is due.**

## Week 7—midterm exam week

**Midterm examination on date to be announced.** Covers all material covered to date. Bring your student ID, a mechanical pencil, an eraser, a pen (not red), some colored pencils (not red), a ruler with a centimeter scale, and a scientific calculator (one with at least the  $x^y$  function; the TI-83 or TI-84 from your business math or introductory statistics class will do fine). No mobile phones allowed.

Economic growth (I'll take attendance but you don't have to read anything in advance).

## Week 8

Economic growth. Mankiw (2013, Chapters 8, 9). In chapter 8, skip section 8-2 “The Golden Rule Level of Capital” pp. 215–222. In chapter 9, only read section 9-3 “Policies to Promote Growth” (but skip “Evaluating the Rate of Saving,” pp. 241-243).

## Week 9

Introduction to economic fluctuations. Mankiw (2013, Ch. 10). Only read the introduction and sections 10-1 and 10-2. Skip 10-3 and 10-4.

Friday of week 9: last day to drop a course.

## Week 10

Aggregate demand I: building the IS-LM model. Mankiw (2013, Ch. 11). **Assignment 3 is due.**

## Week 11

Aggregate demand II: applying the IS-LM model. Mankiw (2013, Ch. 12).

## Week 12

The open economy revisited: the Mundell-Fleming model and the exchange-rate regime. Mankiw (2013, Ch. 13). Skip “Differentials in the Mundell-Fleming model” (pp. 371–373).

## Week 13

Aggregate supply and the short-run tradeoff between inflation and unemployment. Mankiw (2013, Ch. 14). **Assignment 4 is due.**

## Week 14

An overview of macroeconomic models (handout). Epilogue: what we know, what we don't. Mankiw (2013, pp. 591–598)..

## Week 15—Final exam week

**Final exam (date and room to be announced).** Covers all material since the midterm exam. Bring your student ID, a mechanical pencil, an eraser, a pen (not red), some colored pencils (not red), a ruler with a centimeter scale, and a scientific calculator (one with at least the  $x^y$  function; the TI-83 or TI-84 from your business math or introductory statistics class will do fine). No mobile phones allowed.

## Course materials

The required text is Mankiw (2013).

## Course assessment

There are four short research papers and two written exams. The final grade for the course will be calculated on the following weighting:

Participation and preparedness	10 %
Assignments (four, each carrying 7.5%)	30 %
Midterm exam	30 %
Final exam	30 %

## Grading scale of Vesalius College

Vesalius College grading policy, in line with the Flemish Educational norms, is now as stated follows:

Grade	Grade points <sup>a</sup>	Score (/20) <sup>b</sup>	Score (%) <sup>c</sup>
F	0.00	00.0 to 9.9	00 to 49
D	1.00	10.0 to 10.9	50 to 53
D+	1.33	11.0 to 11.4	54 to 57
C-	1.67	11.5 to 12.4	58 to 61
C	2.00	12.5 to 12.9	62 to 65
C+	2.33	13.0 to 13.9	66 to 68
B-	2.67	14.0 to 14.4	69 to 72
B	3.00	14.5 to 15.4	73 to 76
B+	3.33	15.5 to 15.9	77 to 80
A-	3.67	16.0 to 16.9	81 to 84
A	4.00	17.0 to 20.0	85 to 100

<sup>a</sup> Grade points rounded to .01

<sup>b</sup> Scores (/20) rounded to .1

<sup>c</sup> Scores (%) rounded to 1%

The participation and preparedness grade is computed by counting the number of classes attended out of the total, expressing this as a percentage, and converting the percentage to a letter grade using the table above. A student who arrived in class late or who was poorly prepared (for instance, by not having done the requested readings) loses one-third of the participation and preparedness mark for that class. For example, a student who attended 21 out of 27 classes (78%) and was always well-prepared (on time etc.) will obtain a B+. A student who attended 21 out of 27 classes, but was late three times, will get a mark of 20/27 (74%) and will obtain a B. If you can't attend class for a valid reason, let me or the College administration know before class. Excused absences (doctors notice, or acceptable excuse at my discretion) will be counted as being present. Doctor's notes should be handed in at the reception desk; the receptionist will inform all your professors.

## Additional Course Policies

*Formatting of written work.* See my formatting rules for written work for details on how to format a paper for my class:

[http://homepages.vub.ac.be/~lmahens//written\\_work.html](http://homepages.vub.ac.be/~lmahens//written_work.html)

You can find the assignments on the course home page.

*Late papers policy.* Written work should be submitted on paper at the beginning of class on the date specified in the course schedule. I don't accept submission by e-mail. In accordance with Murphy's Law, computers are likely to crash and printers are likely to run out of ink the evening before the due date. Start in time. Make backups of your work. Computer or printer problems are no valid reason for handing in work late. Late written work is allowed only in emergency cases, which must be documented by a physician or college official, in advance when possible. Otherwise the penalty for late work is 2 points (on a 20-point scale) per workday late.

Examinations provide the occasion for you to revise and consolidate your work during the term, to clear up any problems that have remained unresolved. They give you the chance to test whether you have really understood what you have read and done in class. The exams in my courses typically consist of two parts. The first, counting for a fourth of the total grade, asks you to explain briefly a number of **key concepts** from the list posted on the course web site. This is intended to find out whether you are able to speak the economist's language accurately. The second part asks you to apply what you have learned by commenting at length on statements from the business and financial press and applying the models we developed in class. Makeup examinations will be allowed only in extreme emergency, which must be documented by a physician or college official, in advance when possible.

During the semester, you should make photocopies of your graded written work (papers and exams) and return the originals to me (needed for inspection by the external examiners and the accreditation body).

Don't mail or call me to inquire about your grade—I don't communicate grades by e-mail or by telephone.

## Academic Honesty

Academic dishonesty is not tolerated at the College. Academic honesty is not only an ethical issue but also the foundation of scholarship. Cheating and plagiarism are therefore serious breaches of academic integrity.

Following the College policy, cheating and plagiarism cases will be communicated in writing to the Associate Dean for Students and submitted to the Student Conduct Committee for disciplinary action.

If you refer to someone else's work, appropriate references and citations must be provided. Grammar, spelling and punctuation count, so use the tools necessary to correct before handing in assignments.

## References

- Hansen, W. L. (2001). Expected proficiencies for undergraduate economics majors. *Journal of Economic Education*, 32(3):231–242.
- Mankiw, N. G. (2013). *Macroeconomics*. Worth/Palgrave MacMillan, Basingstoke, 8<sup>th</sup> edition.