Economics 102
Principles of Macroeconomics
Fall 1999

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Course Objectives:
Macroeconomics is concerned with the economy’s growth potential and with the
deviations from potential growth. Fluctuations in real output, employment, interest rates, and
prices cause the economy to depart from its potential growth path. Government tax and spending
policies combined with the actions of the Federal Reserve are often used to mitigate these
deviations from potential growth. At the state and federal levels, officials from the various
political parties have differing views concerning the appropriate conduct of fiscal and monetary
policy.

Economics 102 will help you understand and assess the alternative views concerning the
proper use of fiscal and monetary policy. Towards this end, we will carefully develop the tools
necessary to investigate the mainstream macroeconomic perspectives concerning alternative
stabilization policies. The required text presents the theoretical macroeconomic model used as
our method of analysis. Students needing extra help with the text may wish to purchase the Study
Guide.

Texts: Required: Baumol and Blinder. Macroeconomics: Principles and Policy, 8th
dition. (paperback)
Recommended: Study Guide for Baumol and Blinder’s text.

Materials on the web:

Prerequisites: Principles of Microeconomics is recommended, but not required. If you have not
taken (or have forgotten) microeconomics, you will need to read chapters 1 and 2 of the text on
your own.

Grading Policy:
Exams: There will be four in-class examinations in addition to the comprehensive final
examination. The final exam counts twice as much as an in-class exam in determining your grade.
The tests will cover material from the lectures and from the reading assignments below.

There are NO MAKE-UP EXAMS. If you miss an exam (other than the final), your score will be
based on the exams you do take. As an incentive not to abuse the system, if you miss no more
than one of the in-class exams, your lowest score among those taken will be excluded from your
course grade. If you miss an exam, you should let one of the TA’s know so that we will know you are continuing in the course.

**Problem Sets:** There will be approximately five problem sets. In total, the problem sets have the same weight as one of the in-class exams. Assignments must be turned in at the beginning of class on the specified due date. Assignments turned in on or before the following class period will receive no more than 50% credit. Assignments that are late by more than 1 class period cannot be accepted. **If you miss two or more problem sets, you cannot pass the class.** Note that many of the examination questions will be related to the questions asked on the problem sets.

**Class Attendance:** Class attendance is not required but you are responsible for all material presented in class. Neither I nor the T.A.s can provide copies of lecture notes. You should introduce yourself to, and exchange phone numbers with, students seated near you so you will have someone to contact about material you might miss.

**Outline, Readings and Examination Dates**

1. **Review of Supply and Demand:** Appendix A of Chapter 1, and Chapter 4
2. **Introduction to Macroeconomics:** Chapter 5 and Appendix to Chapter 7
3. **Unemployment and Inflation:** Chapter 6 (including the appendix).
4. **Test #1:** September 17

5. **Income and Spending:** Chapter 7, ERP: pp. 19 - 27, 43 - 52
6. **Demand-Side Equilibrium:** Chapter 8 (including the appendix).
7. **Changes in Demand:** Chapter 9 (including Appendix A)
8. **Test #2:** October 15

9. **Supply-Side Equilibrium:** Chapter 10, ERP: 76 - 83.
10. **Fiscal Policy:** Chapter 11
11. **Money and the Banking System:** Chapter 12
12. **Test #3:** November 12

13. **Monetary Policy:** Chapter 13, ERP: 88 - 98.
14. **The Debate over Monetary Policy:** Chapter 14
15. **Budget Deficits:** Chapter 15, ERP: pp. 28 - 34.
16. **Test #4:** December 8

17. **Review** December 10
18. **Comprehensive Final Examination**