

**Economics 132.02**  
**Principles of Macroeconomics**  
**Spring 2013**

**Tuesdays and Thursdays, 10:30 – 11:45am**  
**Devlin Hall, Room 008**

**Professor Peter Ireland**  
**Maloney Hall, Room 444**  
**peter.ireland@bc.edu**

<http://www2.bc.edu/peter-ireland/ec132.html>

### **Course Description**

This is one of two introductory courses in economics that: (i) are required for students in the College of Arts and Sciences majoring or minoring in economics, (ii) are required for all students in the Carroll School of Management, and (iii) fulfill the Social Science Core requirement.

EC131, Principles of Microeconomics, studies how individual households and firms make decisions and how they interact in individual markets.

EC132, Principles of Macroeconomics (this course), studies the economy as a whole, to explain how economic events affect many households, firms, and markets simultaneously.

These two courses may be taken in any order; and, to satisfy the University Core requirement, one of them may be taken together with another Social Science Core course. To every extent possible, I will make this course in Macroeconomic Principles self-contained and not dependent on prior knowledge of the material covered in Microeconomic Principles.

### **Course Materials and Resources**

**Textbook:** N. Gregory Mankiw. *Principles of Economics* 6th ed., 2011.

You will automatically gain access to an electronic version of this textbook by registering through the Aplia website, as described on the last page of this handout. If you find it advantageous to have a physical copy of the textbook as well, you will in most cases save money if you purchase it through the Aplia website.

**Homework Assignments:** Will be available through the Aplia website, described in more detail below.

**Lecture Notes and Class Presentations:** My lecture notes and copies of the presentation slides that we will discuss in class will be freely available through the course webpage at <http://www2.bc.edu/peter-ireland/ec132.html>.

**Supplementary Material:** Links to additional material that we will discuss in class, such as official government press releases, newspaper, magazine, or research articles, and other related webpages, will also be posted on the course webpage.

**Previous Exams:** Copies of exams from previous years are also available through the course webpage. You might find it helpful to work through the questions on past exams as a way of preparing for this year's exams.

**Teaching Assistants:** Several teaching assistants for this course will hold office hours on various days at various times throughout the week; the schedule for these office hours will be announced shortly after the semester starts. The teaching assistants are here to help you even more than me, so please don't hesitate to go to them with any general or specific questions or concerns that you might have about the material presented in class, in the textbook, and in the homework assignments and exams!

## Course Requirements and Grading

Your grade for this course will be based on three exams and a series of homework assignments.

For the exams, you will be held responsible for material covered in: (i) our in-class discussions, (ii) the relevant chapters of Mankiw's textbook, (iii) the lecture notes, (iv) any supplementary material that we discuss in class, and (v) the homework assignments.

**Exams:** Two of the exams will be held during our regular class meeting times on Thursday, February 21 and Thursday, April 11; the third exam will be held during the University's official final exam period on Friday, May 10 from 12:30 to 2pm.

**Homework Assignments:** Homework assignments covering material from each of the chapters from Mankiw's book that we discuss in class will be made available through the Aplia website and will be due on dates announced ahead of time in class. Instructions for registering for Aplia are given on the last page of this handout. The web-based software provided by Aplia will allow you to work on and submit your answers to these assignments online and receive immediate feedback as your answers are automatically graded. It is fine for you to work together with other students on these homeworks, but I expect each of you to submit your own individual answers for grading. It can often help, in learning the course material, to discuss the homework questions with your classmates. But also keep in mind that the purpose of the assignments – namely, to help you learn the material – is defeated if you simply take your answers from someone else without really thinking about them yourself.

## Grading System

**Homework Assignments:** I will drop the two lowest scores in percentage-point terms that you receive on the Aplia homework assignments and then weight each of the remaining assignments equally to determine 10 percent of your course grade.

**Exams:** Each of the three exams will determine 30 percent of your course grade.

**Course Grades:** After weighting your problem set and exam scores as described above, I'll translate your numerical score in percentage points to a letter grade using the standard scale, according to which 93-100 is an A, 90-93 is an A-, 87-90 is a B+, 83-87 is a B, 80-83 is a B-, 77-80 is a C+, 73-77 is a C, 70-73 is a C-, 67-70 is a D+, 63-67 is a D, 60-63 is a D-, and 0-60 is an F.

### **Policies on Late Homework Assignments, Missed Exams, and Extended Absences**

**Late Homework Assignments:** Please understand that the Aplia website will not accept homework assignments completed after the announced due date. Partly for this reason, I have adopted the policy described above, according to which I will drop the two lowest scores that you receive on those assignments. This gives you some insurance against being sick, having personal or technical difficulties that prevent you from completing any given assignment on the due date, or just having a bad or busy day. If for whatever reason it simply isn't feasible for you to complete one or two of the assignments on time, that's ok: you will still be able to earn a good grade for the course as a whole, provided such events are isolated and that you otherwise complete the assignments regularly.

**Missed Exams:** Make-up exams will not be given. Please let me know as soon as possible, preferably before but if necessary after the fact, if a serious illness, personal emergency, or other exceptional event prevents you from taking one of the exams. In those exceptional cases, I will base 10 percent of your course grade on the problem sets and 45 percent of your course grade on each of the remaining two exams. Please understand that out of fairness to the other students, I will have to assign a grade of zero to an exam if your absence is unexcused.

**Extended Absences:** If very exceptional circumstances make it impossible for you to take at least two of the three exams, complete most of the homework assignments (keeping in mind that you can work on and submit your answers to the Aplia problems from any location on or off campus where you have internet access), or come to class regularly for an extended period of time, please let me know, by email if necessary, as soon as you can. In that case you should also notify your class dean as well, so that we can come up with a workable plan for you to still get credit for the course, if at all possible.

### **Academic Integrity**

Boston College values the academic integrity of its students and faculty. It is your responsibility to familiarize yourself with the University's policy on academic integrity, which can be found at <http://www.bc.edu/integrity>. If you have any questions, please let me know.

Violations of academic integrity will be reported to your class dean and judged by the academic integrity committee in your school. If you are found responsible for violating the policy, penalties may include a failing grade as well as possible probation, suspension, or expulsion, depending on the seriousness and circumstances of the violation.

## Office Hours

I will announce my regular office hours shortly after the semester starts. I will also be available at other times; you can always reach me by email at [peter.ireland@bc.edu](mailto:peter.ireland@bc.edu) to ask a question or make an appointment to talk in person.

## Macroeconomics as a Social Science: Organizing Principles

The Social Sciences are included in the University Core curriculum to help students understand the causes and consequences of human behavior and the dynamics and dimensions of social interaction. As a Social Science Core course, EC132, Principles of Macroeconomics, will focus specifically on questions including, but by no means limited to: (i) why do some economies grow more quickly than others, and what are the consequences for the well-being and happiness of the individuals that populate these economies? (ii) why does the rate of unemployment fluctuate over time within any given economy, and what can public policy do to minimize these fluctuations and the costs that they impose on society? (iii) why do some economies experience episodes of high inflation, and what can be done to prevent their reoccurrence? (iv) what shapes the trade-offs, if any, that societies face between inflation and unemployment, and what can policymakers do to best manage these trade-offs?

Throughout the semester, we will see how economists, as social scientists, use a combination of theory (hypotheses) and evidence (data) to address these questions. As we do so, we will come to see how a few basic principles underlie macroeconomists' understanding of these issues. These three basic principles also help determine the organization of this course and are therefore reflected in the design of the course outline.

The **classical dichotomy** draws a distinction between what macroeconomists call "real variables," variables like output or unemployment that are measured in physical units of goods or labor, and what macroeconomists call "nominal variables," variables like prices that are measured in units of money (dollars).

The **long-run neutrality of money** says that, in the long run, changes in the money supply affect nominal variables but not real variables. The neutrality of money implies that in the long run, real and nominal variables can be studied separately. Output is determined mainly by the supplies of capital, labor, and natural resources, and the stock of technological knowledge, and unemployment is determined mainly by the workings of the labor market. Meanwhile, prices and their rate of change (inflation) are determined mainly by the government's decisions to supply more or less money.

Although most macroeconomists believe that the neutrality of money holds in the long run, they also believe that there are important linkages between real and nominal variables in the short run. The most famous of these linkages comes through the **Phillips curve**, which describes the short-run relationship between inflation (a nominal variable) and unemployment (a real variable).

## **Course Outline**

### **A. Introduction**

0. Three Principles of Macroeconomics (See Above)
1. The Market Forces of Supply and Demand (Mankiw, Ch. 4)

### **B. The Data of Macroeconomics**

2. Measuring a Nation's Income (Ch. 23)
3. Measuring the Cost of Living (Ch. 24)

### **C. The Real Economy in the Long Run**

4. Production and Growth (Ch. 25)
5. Saving, Investment, and the Financial System (Ch. 26)
6. Unemployment (Ch. 28)

### **D. Money and Prices in the Long Run**

7. The Monetary System (Ch. 29)
8. Money Growth and Inflation (Ch. 30)

### **E. Short-Run Economic Fluctuations**

9. Aggregate Demand and Aggregate Supply (Ch. 33)
10. The Short-Run Trade-off between Inflation and Unemployment (Ch.34)

# How to access your Aplia course

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Ireland, Principles of Macro, Spring 2013

**Instructor:** Peter Ireland

**Start Date:** 01/07/2013

**Course Key:** U33G-K8A6-ZGZL

## Registration

Aplia is part of CengageBrain, which allows you to sign in to a single site to access your Cengage materials and courses.

1. Connect to <http://login.cengagebrain.com/>
2. **If you already have an account, sign in.** From your Dashboard, enter your course key (**U33G-K8A6-ZGZL**) in the box provided, and click the *Register* button.  
**If you don't have an account,** click the *Create a New Account* button, and enter your course key when prompted: **U33G-K8A6-ZGZL**. Continue to follow the on-screen instructions.

## Payment

**Online:** Purchase access to your course (including the digital textbook) from the CengageBrain website.

**Bookstore:** Purchase access to Aplia from your bookstore. Check with the bookstore to find out what they offer for your course.

After paying, you will have the option to purchase a physical book at a discounted price. If you choose to pay later, you can use Aplia without paying until 11:59 PM on 01/27/2013.