Economics 201: Principles of Macroeconomics                       Prof. John Shea
Fall 2015                                                        4121A Tydings Hall
TuTh 2:00-3:15, SKN 0200                                          (301) 405-3491
Office hours (Shea): MW 11:00-12:00 or by appt.               shea@econ.umd.edu
Discussion (1st meeting September 4):  F 10-10:50, SKN 0200

TAs:  Hidehiko Matsumoto: matsumoto@econ.umd.edu, TYD 4119; office hours TBA
      Prajakta (P.J.) Bhide: bhide@econ.umd.edu, TYD 4119; office hours TBA

COURSE MATERIALS ONLINE:  all problem sets, practice exams, and answer keys
will be posted on Canvas (www.elms.umd.edu).  We will hand out hard copies of
homework assignments and handouts to reference during lecture prior to class.

CONTACT:  aside from coming to office hours, the best way to contact me or a TA is to
send an email to the addresses listed above.  Do not attempt to email us through Canvas,
as this will result in a (potentially very long!) delay in seeing your message.

COURSE DESCRIPTION:  we will focus on three key variables: output, unemployment and inflation.  We will learn how these variables are measured, how they have behaved over time, and why we care about them.  We will then build models of the economy that explain the behavior of these variables, and analyze the impact of government policies.

RECOMMENDED PREREQUISITE:  Econ 200 (Principles of Microeconomics).  I will assume that you know a few basic concepts from Econ 200, such as supply and demand and opportunity cost.  I will not review these topics in class.  Chapters 3+4 of Baumol and Blinder’s book cover these topics if you need to review them.

REQUIRED TEXTBOOK:  Macroeconomics Matters, John Shea (Chapters 6-9 and 12-14), textbook in process.  You will receive drafts of these chapters as free handouts in class.  Please do not circulate these chapters and please return them at the final exam.  We will ask students to complete a brief online survey about these chapters at the end of the semester.


The lecture notes will correspond most closely to the material in Professor Shea’s textbook chapters.  Students who read those chapters carefully, attend lectures and discussion sections faithfully and take good notes will do fine in the class.  The Baumol-Blinder book is available to students who are more comfortable having a traditional textbook, and it does overlap reasonably well with the material covered in class.

CALCULATOR:  You will need one for exams.  However, my exams are closed book and closed note, so calculators that can store formulas are forbidden.  Only four-function
or scientific calculators (e.g. TI-30x) are allowed in my exams. **GRAPHING CALCULATORS (SUCH AS TI-83 OR TI-84) ARE NOT ALLOWED.**

**EXAMS**: the final exam will be on **THURSDAY, DECEMBER 17** from 1:30 to 3:30 PM, and will count for 35 percent of your grade. There will be two midterms, each worth 25 percent of your grade, which will be given in class **TUESDAY, OCTOBER 6** and **THURSDAY, NOVEMBER 12**. Practice exams and answers will be posted prior to the exam on Canvas. Exams are multiple choice. If you have an unavoidable conflict with a midterm, you must notify me IN ADVANCE, WITH DOCUMENTATION to arrange an alternative time. Having other exams on the same day does not qualify as a conflict. For missed exams due to medical excuses, the final and midterms are considered "major scheduled grading events" requiring documentation.

**PROBLEM SETS**: there will be problem sets due most weeks, collectively worth 15 percent of your grade. Your lowest problem set score will be dropped in computing your final grade. The first problem set is due **THURSDAY, SEPTEMBER 10**. Please bring a PAPER COPY of your answers to class; be sure to include your name and staple multiple pages. Problem sets will be available in class a week ahead of time and will be posted on Canvas. Answer keys will be posted on Canvas a few days after the due date.

**PROBLEM SETS ARE GRADED FOR EFFORT**. You will get full credit if you make an honest attempt at each section of each question, meaning use your own words, answer all parts of each question and show your math. Homework is due by the end of class; **NO LATE HOMEWORK WILL BE ACCEPTED**. If you can't make class, please have a friend bring your homework, or contact me in advance to arrange an alternative. You can also drop homework off in the slot with my name on it just to the right of the entrance of the main Econ office (TYD 3114); homework placed in the slot by the end of class time on the due date will be accepted as on time. Graded homeworks can be picked up at discussion section or at the TA’s office hours.

**COURSE GRADES**: all grades will be posted on Canvas. If you believe a grade has been posted incorrectly (e.g. you did not get credit for a problem set you turned in), you must notify me and the TAs by email promptly--you cannot wait until the end of the semester to ask why you didn't get credit for Problem Set One.

**COURSE ANNOUNCEMENTS**: I will put important announcements on the blackboard at the start of class. In addition, I will sometimes send out announcements by mass email via Canvas. Please check your Canvas email address regularly.

**STUDENTS WITH DISABILITIES**: I will provide all appropriate accommodations to students who have disabilities documented by DSS. Students who have registered with DSS should present an accommodation letter from DSS to me as soon as possible, and are responsible for presenting a Test Authorization Form to me prior to each exam, as necessary.
**ACADEMIC INTEGRITY:** you do not need to write the honor pledge on homework assignments, but you are expected to do these assignments on your own. Full effort means showing your math and using your own words. Failure to do so will result in points being taken off even if your answers are correct. During exams, students will be required to put away all books, notes, cell phones and other portable electronic and communication devices, and will be required to sit one seat apart. We will monitor behavior carefully during exams. Students caught cheating during an exam will get a zero on the exam.

**READINGS AND COURSE OUTLINE:**

I will assume that you are familiar with a few concepts covered in Econ 200, such as supply and demand. You can skim chapters 3-4 of your textbook for a quick review. I will also assume that you can use graphs; the appendix to chapter 1 reviews these.

**I. INTRODUCTION TO MACROECONOMICS**


Reading: Chapters 6 through 9 of *Macroeconomics Matters* (Shea). In Baumol/Blinder: 5-7, 12 (include chapter 6 appendix)

**II. THE KEYNESIAN MODEL OF BUSINESS CYCLES**


Reading: Chapters 12 and 13 of *Macroeconomics Matters* (Shea). In Baumol/Blinder: Chapter 8, chapter 9 (read appendix A, can ignore appendix B), chapter 11 (read both appendices), chapter 13, 14, 16.

**III. THE AGGREGATE DEMAND-AGGREGATE SUPPLY MODEL**

Why the Keynesian model is not realistic. Why demand-driven booms often generate inflation. Why recessions are often necessary to reduce inflation. Supply shocks and stagflation. Government policy in the AD-AS model. Conflicting viewpoints on stabilization policy: when and how should the government intervene?

Reading: Chapter 14 of *Macroeconomics Matters* (Shea). In Baumol/Blinder: Chapters 10, 15, 17.