

ECO509: Business Condition Analysis (Autumn 2012)

Instructor: Dr. Jin Man Lee

Loop Campus (1 E Jackson #5400), Phone: (312)362-5970
jlee141@depaul.edu*

Office Hours: Wednesday and Thursday, 4:30 - 5:30 or by appointment

Textbook:

- Macroeconomics and the Financial System by N. N. Gregory Mankiw & Laurence M. Ball(2011)
- DVD: I.O.U.S.A (2008), Directed by Patrick Creadon, PBS
- DVD; Inside Job (2010), Directed by Charles Ferguson, Sony Pictures Classics
- Weekly Reading List will be posted on D2L prior to class, which includes newspapers, journal articles, books, and websites.

Course Objectives: Course Objective: This course is designed to introduce the students in the most important issues that we study in macroeconomics. We start developing an understanding how economist measure important macroeconomic variables. It covers several macroeconomic topics such as determination of national output, economic growth, unemployment, inflation and interest rates. We analyze the role of Government in policymaking and discuss the effectiveness of monetary and fiscal policies under different theoretical approaches to macro policy. Lastly we will include financial market to macroeconomics to understand the recent financial crisis, and its policy implications.

Grade Policy: A Midterm (25%), Two short exam (open book in class tests, 10% each, 20% total) and a Final Exam (30%) will compose 75% of the course grade. The remaining 25% will be from the assignments (end of chapter review questions on D2L (15%), in-class homework and pop-up quizzes (10%)).

Grading Scale of grade: A: 93 or above, A-: 88-92.9, B+: 85-87.9, B: 80-84.9, B-: 77-79.9, C+: 75-76.9, C: 70-74.9, C-: 68-69.9, D+: 65-67.9, D: 60-64.9, F: Below 60

Homework:

- Weekly Chapter Homework on D2L is due on 5:30 PM before class (except the week right before the midterm and final, it will be Monday). No late submission will be allowed since the correct answers will be posted on D2L at 9:00 PM Thursday. For any reason, if the

*The best way to reach me is to send email. Please use ECO509 as a prefix on the subject of email, and it will get my attention immediately. If you dont receive my reply within 48 hours, please remind me again. Due to many email filters and mass email, your email might be lost.

homework submitted via email after 5:30, there will be a steep penalty on the grade. No submission will be allowed after the answers posted on D2L. It allows unlimited attempts. The weekly chapter homework will help you to review the material we covered in class.

- In-class homework will be handed out during regular class. This will be assigned by needs for exercise. The due date will be announced in class.
 - All assignments are to be prepared individually (you are not permitted to work with others) unless otherwise stated by me. You risk an academic integrity violation if you do so.
 - Assignments are graded based on completion. Failure to answer any questions or nonsensical attempts at answering questions will result in an incomplete assignment.
 - Assignments should be handed in at the beginning of class and must be typed or will NOT be counted. (Arithmetic or graphs may be handwritten/drawn.)

Academic Honesty: Work done for this course must adhere to the University Academic Integrity Policy. Violations include but are not limited to the following categories: cheating; plagiarism; fabrication and academic misconduct.

- Cheating: any action that violates University norms or an instructor's guidelines for the preparation and submission of assignments. Such actions may include using or providing unauthorized assistance or materials on course assignments, or possessing unauthorized materials during an examination.
- Plagiarism: the representation of another's work as your own. You are to prepare your own homework assignments. Violations may result in the failure of the assignment, failure of the course, and/or additional disciplinary actions.
- Misconduct: This includes but is not limited to attempts to bribe an instructor for academic advantage; persistent hostile treatment of, or any act or threat of violence against, an instructor, advisor or other students. Violations may result in additional disciplinary actions by other university officials and possible civil or criminal prosecution.

You may review the Academic Integrity Policy in the Student Handbook or by visiting Academic Integrity at DePaul University (<http://academicintegrity.depaul.edu>)

Attendance Policy: I do not take attendance. The attendance will be automatically checked by pop-up quizzes, and exams. Excuses on exam days may be considered under extraordinary circumstances provided by official documentation.

Classroom Rules & Professional Points:

- Prohibitions: Cell phones must be turned OFF. Use of the internet is not permitted unless specifically directed by me. This includes checking of email and use of instant messengers. You must sit at the front of the classroom if you are using a computer. Tape recorders, unrelated reading materials, and food are also prohibited in the classroom.

- Behavior: You may not leave the classroom for any reason during an exam (go to the bathroom beforehand!). Further, unprofessional behavior such as inappropriate chatting, leaving in the middle of class, or showing up excessively late, etc. are disruptive and unacceptable. If you need to leave class early, let me know in advance.
- For first time violations you will receive a warning. In the event that violations continue, I will ask you to leave the classroom. (I reserve the right to add to this list as situations arise.)

Student with Disability: Students must provide me with a letter from the Office of Students with Disabilities (OSD) documenting any learning disabilities or chronic illnesses and requesting reasonable accommodations by the second week of classes. Further, you must send me an email prior to each exam reminding me of any special accommodations. To contact the OSD you may email: osd@depaul.edu or call: 773-325-1677.

Tentative Schedule of Topics:

- Week1
 Current Macroeconomic Issues and the Data of Macroeconomics (CH1,2)
[“The Macroeconomist as Scientist and Engineer”](#), Gregory Mankiw, The Journal of Economic Perspectives 20 (4): 2946, 2006.
[“How Did Economists Get It So Wrong?”](#), Paul Krugman, The New York Times, 9/6/2009.
 Classical Theory (Long Run): National Income (CH 3)
[“Anatomy of thrift- What causes people to save and invest?”](#), The Economist, 9/22/2005.
- Week2
 Classical Theory (Long Run)of Money and Inflation (CH 4)
[“Understanding Policy in the Great Recession: Some Unpleasant Fiscal Arithmetic”](#), John H. Cocharane, European Economic Review, 55 230, 2011.
[“The euro crisis We haven’t forgotten how to make depressions”](#), The Economist, 8/13/2012.
[“Fed Policy and Inflation Risk”](#), Martin Feldstein, NBER, March 2012.
- Week3
 Short Exam 1 (30 minutes open book test)
 Classical Theory (Long Run) of Unemployment (CH 6)
[“Minimum wage trends - Understanding past and contemporary research”](#), Liana Fox, Economic Policy Institute, 10/24/2006
[“How to Keep More Kids on the Streets”](#), Donald J. Boudreaux and Alter E Williams, The Wall Street Journal, 3/13/2012)
[“Raising the Floor on Pay”](#), The New York Times, 4/9/2012.
[“Jobs Data Weigh on Obama, Fed”](#), The Wall Street Journal, 09/07/2012.
- Week4
 Economic Growth Theory and Applications (CH 7, 8)
[“Investing in Information Technology: Productivity Payoffs for U.S. Industries”](#), Kevin J. Stiroh, Current Issues in Economics and Finance, FRB New York, 7(6), June 2001.
[“What Drives Productivity Growth”](#), Kevin J. Stiroh, Economic Policy Review, FRB of New York, pp. 37-59, March 2001.

- Week5
 - The Open Macroeconomics (CH 5)
 - [“The Big Mac Index -Calories and currencies: What burgeronomics says about five years of turmoil”](#), The Economist, Jul 28th 2012.
 - [“China holds \\$1,160bn of US debt”](#), Michael Mackenzie, Financial Times, March 1, 2011.
 - Review for Midterm Exam
- Week6
 - Midterm Exam (CH 1-8)
 - Movie: I.O.U.S.A.
- Week7
 - Keynesian (Short Run) Business Cycle (CH 9)
 - Keynesian (Short Run) Aggregate Demand (CH 10, 11)
- Week8
 - Aggregate Supply Curve (CH 12)
 - Recent Development of Macroeconomics: Monetarism, New Classical and New Keynesian Economics
 - [History of macroeconomic thought](#), wikipedia.
 - [“The Rise and Fall of a Policy Rule: Monetarism at the St. Louis Fed, 1968-1986”](#), R. W. Hafer and David C. Wheelock, Review, January/February 2001.
 - [“New Classicals and Keynesian, of the Good Guys and the Bad Guys”](#), Robert J. Barro, Swiss Journal of Economics and Statistics, 125 (3), 263-273, 1989.
 - [“How did Paul Krugman Get it so Wrong?”](#), John H. Cochrane, Economic Affairs, June 2011.
 - [“Austerity or Stimulus: What we need is Growth,IGM/Bloomberg Business Class series](#), March 21 2012.
- Week9
 - Short Exam 2 (30 minutes open book test)
 - Macroeconomic Policy Debates (CH 13, 14)
 - Lessen from Great Depression
 - [Remarks by Governor Ben S. Bernanke: Money, Gold, and the Great Depression](#), At the H. Parker Willis Lecture in Economic Policy, Washington and Lee University, Lexington, Virginia, March 2, 2004.
 - [“A Great Depression?”](#), by Steve H. Hanke, Cato Institute, December 2008 Lesson from Japan and Canada
 - [“Preventing Deflation: Lessen from Japan’s Experience in the 1990s”](#), Board of Governors of the Federal Reserve System, International Finance Discussion Papers, No 729, June 2002.
 - [“Revolution and Evolution in Twentieth-Century Macroeconomics”](#), Michael Woodford, Princeton University, June 1999.
- Week10
 - Financial System and Financial Crisis (CH 15, 16, 18)
 - [“Should Fed Refocus on Money Supply?”](#), WSJ 12/8/2011.

[“Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome”](#), Ricardo J. Caballero, *Journal of Economic Perspectives*, 24(4), 85-102, Fall 2010.

Final Review

- Final Exam (Nov 14-15, 6:00-8:15)