

**Fall 2021**  
**DePaul University**  
**Economics 106 – Principles of Macroeconomics**

Professor: Dr. Jaejoon Woo

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Office Hours: Mondays 5:00-6:00pm or by appointment (via Zoom)

**Special note:** This syllabus is for the online “asynchronous” format of the class due to the pandemic.

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**Goal of this course:** This course provides an introduction to economic issues and basic economic principles and methods. We concentrate on “macroeconomics,” the study of the economy as a whole. We explore key macroeconomic relationships and policy issues ranging from business cycles (boom and recession), financial crisis, productivity and economic growth, wage inequality, inflation, unemployment, financial markets, foreign exchange rates, to international trade and capital. We develop and use basic theoretical frameworks to study how the economy works and their application to actual economic events such as the 2007-2009 global financial crisis or the global pandemic.

**Prerequisites:** There are no prerequisites. This course is highly analytical, but the level of mathematics will be kept at the minimum (elementary algebra).

### **Course Materials**

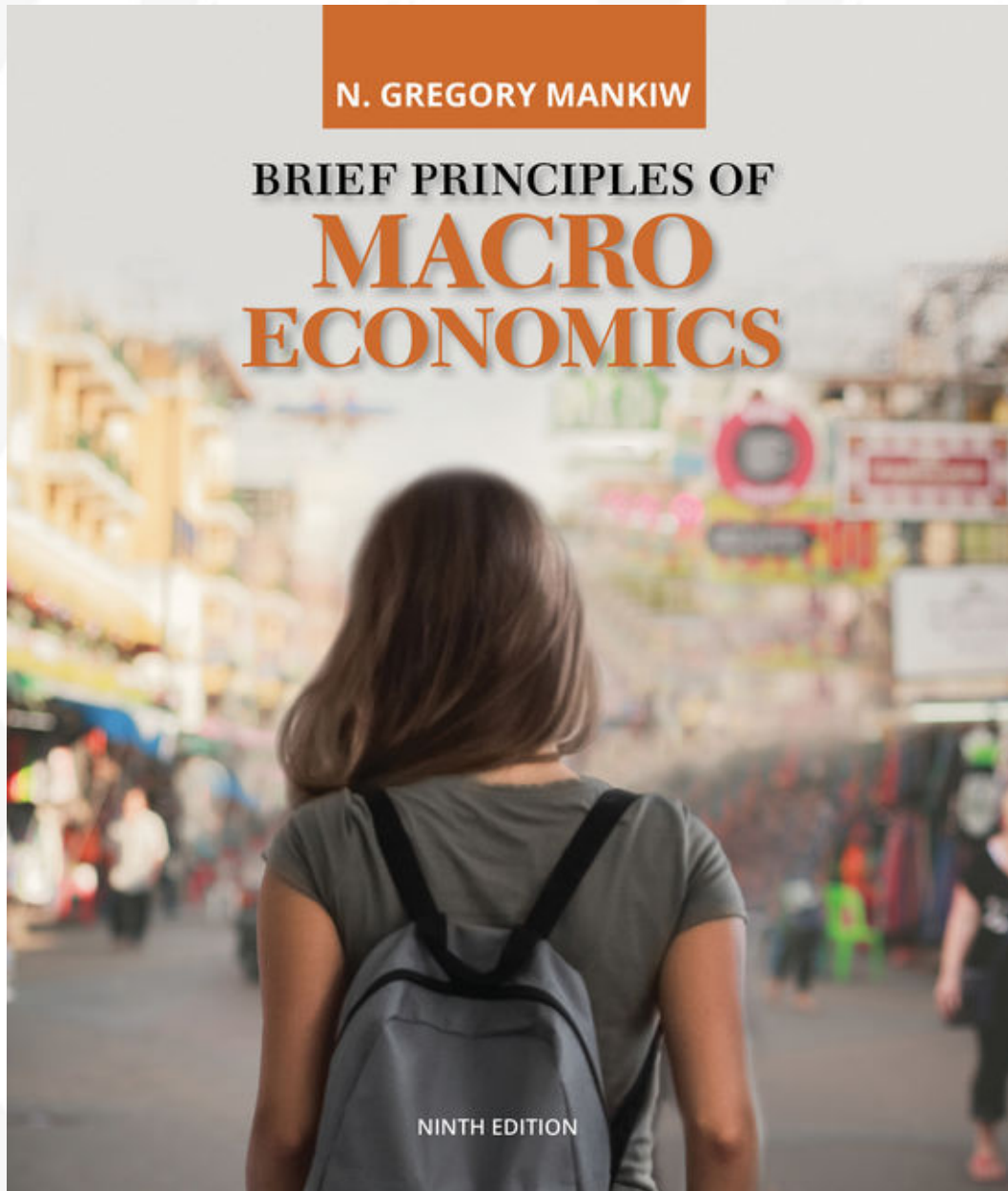
Many chapters in Mankiw textbook will serve as basic readings, which will be supplemented with lecture notes and articles. Also, we extensively cover the U.S. and international data.

(1) **Textbook:** N. Gregory Mankiw (2020), **Brief Principles of Macroeconomics**, 9th edition, Cengage.

However, you may use any type (e-book, loose-leaf, etc) or previous editions (8th or 7th).

(2) **Lecture slides/class handouts** will be posted in D2L on a regular basis (<https://d2l.depaul.edu/>).

FYI: textbook cover (9<sup>th</sup> edition)



**Course Requirements:** It is very important to closely follow lectures (online), since the materials covered in lectures form the core of the course.

### **3 requirements: 2 Midterm Exam, Final Exam, and Problem Sets**

(1) There will be 2 midterms and one final. **The first midterm exam is tentatively scheduled on Sept 29, the second midterm on Oct 20, and the final on Nov 15 (to be confirmed later).** All the exams will be take-home exams (i.e., open-book test). Further details will be provided in advance before the exam is assigned and posted in D2L.

(2) **Problem sets (homework):** 7 Problem sets (mostly from textbook) will be assigned in about each week. Each problem set will be graded on a simple scale 0 (no submission) and 1 (submission). Thus, it is advisable to submit even the partial work.

**Grade:** Course grade will be determined by two midterms (42%=2\*21%), the final (40%), problem sets (18%). Note that D2L records the data on class engagement.

**Grading Scale:** A=94% and above; 88%≤A-<95%; 82%≤B+<88%; 77%≤B<82%; 72%≤B-<77%; 67%≤C+<72%; 63%≤C<67%; 59%≤C-<63%; 56%≤D+<59%; 53%≤D<56%; 50%≤D-<53%; and F<50%.

### **General policy**

You should be aware of and abide by the University's policy on academic integrity (<http://academicintegrity.depaul.edu>). Also, the instructor reserves the right to change the topics or schedules if necessary.

### **Makeup Exams**

In cases of severe illness or other extreme circumstances, a student may request a makeup exam. You must inform me of and obtain permission for the absence prior to the exam time, and provide appropriate documentation. I reserve the right to investigate the legitimacy of the request and to assess a grade penalty, or to award a grade of zero if proper procedure is not followed.

### **Desire2Learn (D2L)**

All class material will be posted on D2L (<https://d2l.depaul.edu/>). All communication will be through D2L, although I will make announcements in class and occasionally send emails as needed. "I DIDN'T CHECK D2L" will not be a valid excuse for missing announcements or assignments

### **Special Notice on Online Class, Discussion, and Emails**

(1) The course will be delivered as "**asynchronous**" online. That is, I will deliver the lecture via pre-recorded format (which would be posted in D2L).

So, it will NOT require us to meet up virtually at a set time and day, as you would do with live ZOOM.

For your reference, a weekly video lecture will be posted on **Sept 9, Sept 16, Sept 23, Sept 30, Oct 7, Oct 14, Oct 21, Oct 28, Nov 4, and Nov 11** (3-hour lecture for each week except for the week when midterm exam is assigned—see schedule next page).

(2) To facilitate individual students' questions and concerns, I will hold a virtual office hour so that we can connect in real time via live ZOOM.

(3) Both midterm exams and final exam will be take-home exams (open-book test). Further details will be provided in advance before the exam is assigned and posted in D2L.

(4) In addition to my recorded lecture (which will be the main medium of delivering the lecture), I will post the regular lecture slides (ie, handouts) in D2L.

(5) Check the D2L frequently, especially "news items" and "contents", where I post new announcement and class materials for the class, respectively.

D2L will be key source of information about the class and course materials.

(6) Please read the Zoom instruction to make yourself familiar with it so that it comes handy whenever you need it.

(7) For general questions about the lecture materials and others, you are encouraged to use "Discussions" in D2L, while reserving the email correspondences only for discussions of personal matters/concerns.

## SCHEDULE

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\* This is only tentative and may have to be modified if necessary.

Lecture 1 (Sept 9, 3 hours): Overview of the World Economy  
Data of Macroeconomics

Lecture 2 (Sept 16, 3 hours): National Income, and Economic Growth

Lecture 3 (Sept 23, 3 hours): Economic Growth  
Saving, Investment and the Financial System

Lecture 4 (Sept 30, 1.5 hours): Saving, Investment and the Financial System

**Sept 29: First midterm take-home exam (open-book test) is assigned & due by Oct 6**

Lecture 5 (Oct 7, 3 hours): Monetary System and Inflation

Lecture 6 (Oct 14, 3 hours): Monetary System and Inflation

Lecture 7 (Oct 21, 1.5 hours): Foreign Exchange Rates  
Trade Balance, and Balance of Payments

**Oct 20: Second midterm take-home exam (open-book test) is assigned & due by Oct 27**

Lecture 8 (Oct 28, 3 hours): Trade Balance, and Balance of Payments  
Business Cycle: AD-AS (aggregate demand-supply) Model

Lecture 9 (Nov 4, 3 hours): Business Cycle: AD-AS Model

Lecture 10 (Nov 11, 3 hours): Monetary and Fiscal Policy and AD-AS Model

**Final take-home exam will be posted Nov 15 and due Nov 23 (to be confirmed later)**

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## Suggested Reading List (\* indicates a more important reading)

### 1. Overview of the US and Global Economy

Readings: \* Lecture note

- The Global Pandemic and U.S. and World Economic Outlook

\*[“Federal Reserve issues FOMC statement,”](#) Federal Reserve Board, July 27-28, 2021, and Quarterly Economic Projections on June 16, 2021.

[“Recent Economic and Financial Developments,”](#) Monetary Policy Report to The Congress by the Federal Reserve Board, July 9, 2021.

- Latest debates on the U.S. economy

[“Inflation Fear Lurks, Even as Officials Say Not to Worry,”](#) New York Times, March 10, 2021.

[“Making Sense of Elevated Stock Market Prices,”](#) Robert Shiller, New York Times, March 5, 2021.

- Policy Response to the Pandemic

[“Federal Reserve Announces Extensive New Measures to Support the Economy,”](#) Federal Reserve Board, March 23, 2020.

[“What's in the nearly \\$2 trillion U.S. Senate Coronavirus Stimulus?”](#) Reuters, March 24, 2020.

### 2. Data of Macroeconomics

Readings: \* Lecture note

\*Mankiw, Ch.5. Measuring a Nation’s Income;

\*Ch. 6. Measuring the Cost of Living;

\*Ch. 10. Unemployment and Its Natural Rate.

- Major Sources of Macroeconomic Data

The U.S. economy

[FRED \(federal reserve economic data\) by St. Louis Fed](#)\* (this is an excellent comprehensive database including US GDP, labor, trade, interest rates, exchange rates as well as international data)

[Bureau of economic analysis](#) (US GDP, international trade and balance of payment, etc)

[Bureau of labor statistics](#) (US unemployment, CPI, etc)

[Congress budget office](#) (US budget and economic data)

International data

[OECD \(Organization for Economic Cooperation and Development\) Statistics\\*](#)

[IMF \(International Monetary Fund\) World Economic Outlook database](#)

[World Bank's World Development Indicators\\*](#)

[Penn World Table 10.0 \(2021\)](#)

[World Trade Monitor by Netherland CPB](#) (monthly world trade volume data)

### 3. Economic Growth

Readings: \* Lecture note and \*Mankiw, Ch. 7. Production and Growth

Additional readings (optional):

\*"[Chapter 2.Productivity Growth](#)," in [Economic Report of the President](#), 2007, pp.45-62.

"[Is Slow Still the New Normal for GDP Growth?](#)" John Fernald and Huiyu Li, FRBSF Economic Letter, June 24, 2019.

### 4. Saving, Investment, and the Financial System

Readings: \* Lecture note and \*Mankiw, Ch. 8. Saving, Investment, and the Financial System, and Ch. 9. The Basic Tools of Finance.

Additional readings (optional):

\*"[Spendthrift Nation](#)," FRBSF Economic Letter, Nov. 10, 2005.

- Bond Market, Interest Rates, and Stock Market (if time permits)

\*"[Long-Term Interest Rates](#)," Ben S. Bernanke, March 1, 2013.

"[Making Sense of Elevated Stock Market Prices](#)," Robert Shiller, New York Times, March 5, 2021.

"[Trendspotting in Asset Markets](#)," The Royal Swedish Academy of Sciences has decided to award The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2013 to Eugene Fama, Lars Hansen, and Robert Shiller, October 14, 2013.

### 5. Money and Inflation

Readings: \* Lecture note and \*Mankiw, Ch.11. The Monetary System, and Ch.12. Money Growth and Inflation.

- Money, Inflation, and Interest Rates

["Global Inflation: That 60s Show,"](#) Economic Research Note, JPMorgan Chase Bank, March 14, 2008.

["The Biden Stimulus Is Admirably Ambitious. But It Brings Some Big Risks, Too,"](#) Lawrence Summers, Washington Post Feb 4, 2021.

- The Fed, Money Supply, and Monetary Policy Tools

["The Puzzle of Low Interest Rates,"](#) Gregory Mankiw, New York Times, Dec 4, 2020.

\*["Why Are Interest Rates So Low?"](#) Ben Bernanke, Mar 30 and 31, Apr 1 and 13, 2015.

["What Tools Does the Fed Have Left?"](#) Ben Bernanke, Mar 18 and 24, Apr 11, 2016.

## **6. Foreign Exchange Rates, Trade Balance, and Balance of Payment Accounts**

Readings: \* Lecture note and \*Mankiw, Ch.13. Open-Economy Macroeconomics: Basic Concepts.

Additional readings (optional):

["The US Capital Account Surplus,"](#) in Chapter 6 of Economic Report of the President, Feb 2006, pp. 125-147.

- Exchange Rates

["Chapter 7. Currency Market and Exchange Rates,"](#) in Economic Report of the President, Feb 2007, pp.149-166.

## **7. Aggregate Demand and Supply**

Readings: \*Lecture note and \*Mankiw, Ch.15. Aggregate Demand and Aggregate Supply

Additional readings (optional):

\*["The US Business Cycle Expansions and Contractions,"](#) NBER Business Cycle Dating Committee.

["Will the Economic Recovery Die of Old Age?"](#) Glenn Rudebusch, FRBSF Economic Letter, Feb 4, 2016. ["Learning from a Century of US Recessions,"](#) US Economics Analyst, Goldman Sachs, Jan. 20, 2019.

- The Great Depression in the 1930s, Today's Japan and Europe Problem, and the 2007-09 Great Recession, and the Global Pandemic

Readings: \* Lecture note

## **8. Monetary Policy and Aggregate Demand**



Readings: \*Lecture note on monetary policy and the AS-AD Model, and the inflation-unemployment relationship; and \*Mankiw, Ch.16. The Influence of Monetary and Fiscal Policy on Aggregate Demand; and Ch. 17. The Short-Run Trade-Off between Inflation and Unemployment.

(Note that Chapter 17 presents the Phillips curve in a slightly different way from the way we do in class. It emphasizes the idea of a vertical long-run Phillips curve, whereas in class we emphasize the relationship between the change in inflation and unemployment. These approaches are complimentary.)

Additional readings (optional):

["Curve Ball,"](#) Economist, September 28, 2006.

["What is the Phillips curve \(and why has it flattened\)?"](#) St. Louis Fed, Jan 15, 2020.

## 9. Fiscal Policy and Aggregate Demand

Readings: \*Lecture note and Mankiw, Ch. 16. The Influence of Monetary and Fiscal Policy on Aggregate Demand

Additional readings (optional):

["A Debt Crisis Is on the Horizon"](#), By Michael J. Boskin, John H. Cochrane, John F. Cogan, George P. Shultz and John B. Taylor, Washington Post, March 27, 2018.

\*["A Debt Crisis Is Coming. But Don't Blame Entitlements,"](#) Martin Neil Baily, Jason Furman, Alan B. Krueger, Laura D'Andrea Tyson and Janet L. Yellen, April 8, 2018.

["The 2021 Long-Term Budget Outlook,"](#) Congressional Budget Office (CBO), March 4, 2021.