

**Drexel University-School of Economics  
ECON 202 - Economics II**

**Professor: María Pía Olivero, PhD**

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Webpage: In Blackboard Learn <http://learn.dcollege.net>

Office hours: With Prof. Olivero (GHall 1045) - Tuesdays 4pm-5pm and Thursdays 1-2pm or by appointment.

With Mr Camacho (GHall 1038) – Mondays 3-4pm and Wednesdays 4-5pm.

**Meeting Times:**

Section 4: Tuesdays and Thursdays – 10-11:50am – GHall 408

Section 5: Tuesdays and Thursdays – 2-3:50pm – Pearl 101

**Course synopsis:**

Macroeconomic applications of how markets work: aggregate demand and aggregate supply, the markets for labor, money, loanable funds and foreign currency. Determinants of economic growth and growth-promoting policies. Fiscal policy: How government expenditure and taxes affect the economy. Monetary policy: The Federal Reserve system, money supply and interest rates. Savings, investment and the financial system. Applications to understanding inflation, unemployment, open economy issues and the current main debates over macroeconomic policy.

**Required text:**

*Macroeconomics: Principles and Policy*, by William Baumol and Alan Blinder. Thomson SouthWestern.

**Additional materials:**

We will cover extra readings from newspapers, the Economist and other online sources. When possible, I will post these readings to the course website. You are responsible for studying this material as you are for the textbook chapters.

**Requirements:**

There are two midterm exams, 6 homework assignments (which consist of both multiple choice and essay questions), one Excel assignment and one final exam. The final exam is not cumulative. It covers only the topics studied after the 2<sup>nd</sup> midterm. Also, to reward your effort and hard work during the term, the final is worth only 25% of your course grade.

**Course Grade:**

Your course grade will be determined as follows:

- Two midterm tests (25% each)
- Final exam (25%)
- Homework (including the Excel assignment) (25%)

Grades will be assigned as follows: 98 for an A+, 94 for an A, 90 for an A-, 87 for a B+, 84 for a B, 80 for a B-, 75 for a C+, 70 for a C, 65 for a C-, 62 for a D+, 60 for a D, below 60 for an F.

**IMPORTANT!!** No makeups for unexcused midterms and final. No exceptions. If you miss any of the midterms, you will need to take a cumulative final exam, which will be worth 50% of your course average. Obviously, you cannot miss both midterms. You will be able to drop your lowest homework assignment (but not the Excel assignment). If you do not submit one, that one will be the one dropped. A zero will be assigned to any other missed assignment.

**Statement of Expected Learning:**

Students are expected to achieve the following learning goals upon completion of ECON 202.

Students should demonstrate an understanding of:

- 1) The three methods for the determination of equilibrium GDP.
- 2) The definition and determinants of inflation. Students should also be able to differentiate between cases of demand-pull and cost-push inflation.
- 3) The determinants of the level and volatility of aggregate consumption.
- 4) The determinants of the level and volatility of aggregate investment.
- 5) The determinants of the exchange rate, exports, imports and the current account.
- 6) The functioning of the money market, the equilibrium determination of interest rates and money in circulation, and the process of money creation.
- 7) The main determinants of output growth and productivity growth. Based on those determinants, students should be able to explain differences in the growth experience across countries and assess the impact of different growth policies.
- 8) The relationship between unemployment and the level of economic activity, as well as its implications for wages and prices.

- 9) How changes in AD and AS affect equilibrium GDP and the equilibrium general price level, and the main determinants of AD and AS movements.
- 10) How various types of fiscal policy impact AS, AD and its components, GDP and inflation.
- 11) How various types of monetary policy impact AS, AD and its components, GDP and inflation.
- 12) The trade-offs (as represented by the Phillips curve) faced by policy makers when conducting macroeconomic policy.

**Regrades policy:** If you want any of your exams regraded, you must write a regrade request stating why you believe you deserve more points for each specific question you want me to regrade. You must submit it no later than on the class following that on which you get your exam back from me. Please bear in mind that if a regrade is requested, the course TA will regrade the entire exam.

**Attendance policy:** I will not take attendance in lecture. However, class participation is strongly recommended and I will take it into account for *potential* bump ups of the final grade in borderline cases (defined as within 1 percentage point of the next higher grade). Participation means actively engaging in class discussions, asking and answering questions.

**Other policies:**

***Academic Integrity, Plagiarism, and Cheating Policy:***

Please refer to the Student Handbook section on Student Conduct & Community Standards [http://www.drexel.edu/studentaffairs/community\\_standards/studentHandbook/](http://www.drexel.edu/studentaffairs/community_standards/studentHandbook/)  
*A student who is caught engaging in any type of academic misconduct during an exam will be asked to leave the classroom, will obtain a grade of 0 in that exam and the incident will be reported to the student's advisor, the Director of the School of Economics, and the University.*

***Students with Disabilities Statement:***

Student with disabilities requesting accommodations and services at Drexel University need to present a current Accommodation Verification Letter (AVL) to faculty before accommodations can be made. AVL's are issued by the Office of Disability Resources (ODR). For additional information, contact ODR at [www.drexel.edu/odr](http://www.drexel.edu/odr), 3201 Arch St., Street, Suite 210, Philadelphia, PA 19104, 215.895.1401 (V), or 215.895.2299 (TTY). For more information:  
<http://drexel.edu/oed/disabilityResources/faculty/SyllabusStatement/>

***Course Add/Drop/Withdrawal Policies:***

Please refer to the following University policies regarding adding, dropping, and withdrawing from courses:

<http://drexel.edu/drexelcentral/courses/adjustments/Adding%20and%20Dropping%20Courses/>  
<http://drexel.edu/drexelcentral/courses/adjustments/course-withdraw/>

## Course Outline

### **Section I: SUPPLY AND DEMAND**

A brief review of microeconomics: Supply, demand, equilibrium prices and quantities. Macroeconomic applications to the markets for labor, money, loanable funds and foreign currency.

Material: chapter 4 of the textbook.

### **Section II: AN INTRODUCTION TO MACROECONOMICS**

Introduction to macroeconomic aggregates. The goals of government:

- a) Low unemployment (labor market: supply and demand, marginal product of labor, real vs. nominal wage, unemployment rate, participation rate, types of unemployment).
- b) Low inflation (CPI measurement).
- c) Economic growth.
- d) International trade.

GDP, measurement (3 methods), real vs. nominal GDP.  
Aggregate Demand and Aggregate Supply.

Material: chapters 5 and 6 of the textbook, appendix to chapter 8.

### **Section III: AD-AS AND THE MACROECONOMY**

Aggregate demand (AD), domestic product and national income.

The circular flow of income and expenditure.

Consumption.

Investment (market for savings and investment: supply and demand, motives for savings, national, private and public savings, user cost of capital, marginal product of capital, real and nominal interest rates).

Government spending.

Net exports.

Aggregate supply (AS).

Material: chapters 8, 9 and 10 of the textbook.

### **Section IV: ECONOMIC GROWTH AND DEVELOPMENT**

Growth: concept, measurement, calculating growth rates.

Diminishing returns to capital, marginal product of capital.

Average labor productivity, human capital.

Determinants of long-run growth.

Growth-promoting policies.

Material: chapter 7 of the textbook.

**Section V: THE MONEY MARKET**

Money: definitions. Monetary systems.

The banking system.

The Federal Reserve System.

Money creation and the money multiplier. The money market.

Material: chapters 12 and 13 of the textbook.

**Section VI: MACROECONOMIC POLICY**

Part A: Recessionary and inflationary gaps

Part B: Fiscal policy

Part C: Monetary policy

Part D: Trade-offs in macroeconomic policy: Unemployment and inflation, the Phillips curve.

Material: course handouts and chapter 16 of the textbook.

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## Important Due Dates

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January 10<sup>th</sup>: Classes start.

January 17<sup>th</sup>: Homework 1a due date.

January 24<sup>th</sup>: Homework 1b due date.

January 31<sup>st</sup>: Homework 2 due date.

February 7<sup>th</sup>: Homework 3 due date.

**February 9<sup>th</sup>: 1<sup>st</sup> midterm exam (on Sections I, II and III).**

February 16<sup>th</sup>: Excel assignment due.

February 23<sup>rd</sup>: Homework 4 due date.

**February 28<sup>th</sup>: 2<sup>nd</sup> midterm exam (on Sections IV and V).**

March 9<sup>th</sup>: Homework 5 due date.

March 16<sup>th</sup>: Classes end.

**Week of March 20<sup>th</sup>: Final exam (on Section VI) according to University schedule.**

*Note: The due dates for homework are only estimated for your own planning, and they are subject to change. The dates for the two midterm exams will not be changed.*

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