2012

ECON 201-05 Macroeconomics

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Purpose of the course and learning objectives: The purpose of this course is to provide students with an understanding of macroeconomics. At the completion of the course, students should be able to discuss and understand with some depth fundamental supply and demand analysis, national income accounts, a traditional macro equilibrium model of the economy, aggregate supply and demand curve analysis, the influences of macroeconomic factors on aggregate output, prices, and interest rates, how financial markets, institutions, banks, and the federal reserve system function and their role in the macro economy, the types of exchange-rate systems, the foreign currency market and the determinants of exchange rates, the basis of trade, and the determinants of economic growth.

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Office Hours: Monday and Wednesday, 5:00-6:00; Tuesday and Thursday: 2:30-4:00

Readings:
- Colander, Macroeconomics, McGraw-Hill
- PPTs

Blackboard: Course information can be found in the following folders:
- Schedule and Assignment: Contains assignments and due dates; updated during the semester
- PPTs: Contains course PPTs; updated and changed during the semester
- Test Review Sets: Contains problem and question sets; updated and changed during the semester
- Bloomberg Material: Contains Bloomberg information and exercises
- External Links: Contains a number of economic, business, and financial web sites.
- Readings: Contains readings and cases; updated and changed during the semester

1. Economic Foundations

    Topics
    - Economic Methodology
      - Positive and Normative Economics
    - Comparative Equilibrium Analysis
    - Dynamic Equilibriums
    - Supply and Demand Analysis
Readings:
- Colander, Chapters 4 and 5
- PPT: Methodology
- Lecture

2. Macroeconomic Model

Topics
- Measuring the Aggregate Economy—National Income Accounts
- Circular Flow Concept
- Expenditure-Side of the Economy
- Wealth-Side of the Economy
- Full Equilibrium Model of the Economy
- Introduction to Monetary and Fiscal Policy
- Production-Side of the Economy
- Total Equilibrium
- Aggregate Supply and Demand Curve Analysis
- Impact of Exogenous Demand Changes on the Macro Economy
- Impact of Exogenous Supply Changes on the Macro Economy
- Economic Growth Theory

Readings:
- Lecture
- Colander: Chapter 8, 11, 11-Appendix A, 17
- PPT: Macro AS and AD Analysis

Problems and Question Sets
- Macro Model Review Questions
- Macroeconomic AS and AD Model Review Questions
- Assigned Exercises from Bloomberg Exercises (Blackboard): TBD

3. Macroeconomic Components

Topics
- Capital Formation Process
- Real and Financial Assets
- Characteristics of Assets
- Overview of the Financial Markets
- Asset Value and Return
- Supply and Demand for Loanable Funds—Level and Structure of Rates
- Term Structures
• Deficits, Debt, Treasury, and Agencies
• Public Finance: Adam Smith’s Justification of the Government
• Banking Structure
• Federal Reserve and Central Bank Activities
• Extended Monetary Policy

Readings:
• Colander: 13-16, 17, and 18
• PPT
  • Financial Markets and Institutions PPT Zip
  • Banking and Money Multiplier
• Lecture

Problems and Question Sets:
• Problems and Exercises TBD
• Assigned Exercises from Bloomberg Exercises (Blackboard): TBD

4. Global Macroeconomics

Topics
• Overview
• Balance-of-Payments Model
• Fixed and Pegged Exchange Rate System
• Devaluation
• Nature of Imbalances
• Flexible Exchange Rate System
• Foreign Currency Market
• Interest Rate Parity
• Cross Exchange Rates
• Global Financial Markets

Readings
• Colander: Chapters 20
• PPT:
  • Intl Macroeconomics
  • IRP and Cross Exchange Rates
  • Global Financial Markets

Problems and Question Sets
• International Macroeconomics Review Questions
• Global Financial Markets Review Questions
• IRP Questions
• Assigned Exercises from Bloomberg Exercises (Blackboard): TBD
5. Basis of Trade, Trade Policy and Economic Integration

Topics
- Comparative Advantage and Other Trade Models
- International Trade Policy
- Economic Integration: European Union and North American Free Trade Agreement

Readings:
- Colander: Chapter 2 and 19
- PPT: Trade, Barriers, and Integration Zip

Problems and Question Set
- Trade, Barriers, and Integration Review Questions
- Assigned Exercises from Bloomberg Exercises (Blackboard): TBD

6. Economic Growth and Development

Topics
- Trade Theory and Economic Development
- Import Substitution vs. Export Orientation
- Current Problems Facing Developing Countries
- Direct Investment and Multinational Corporations

Readings:
- Colander: Chapter 21 and 22
- PPT: Development, Growth, Dir Inv, and MNC

Problems and Question Set
- Economic Growth and Development Review Questions
- Assigned Exercises from Bloomberg Exercises (Blackboard): TBD

7. Macroeconomics Issues and Perspectives—Discussion Topics
- Empirical Econometric Models
- Classical Economic Theory
- Monetarist verses Keynesians
- Solow and Economic Growth Theory
- Shumpeter, Business Cycles, and Overshooting
- The EU and the Future of the Euro
- The Great Depression
• The Global Economy
• U.S. and Global Banking and Financial Market Crisis

Readings:
• Colander: Select pages TBD
• Lecture
• Discussion
REQUIREMENTS:

Test Review Exercises and Problem: Some of the problems and question sets (found in “Test Review Exercise” folder in Blackboard) are to be completed and handed in at assigned dates.

Bloomberg Exercises and Launchpad: Assigned exercises are to be completed and handed in at assigned dates. Exercises can be found in the “Bloomberg Material” folder in Blackboard.

Tests: Tests will be based on material from lectures, PPTs and text. There will be two exams during the semester and a quasi-comprehensive final.

- Test 1: 25%
- Test 2: 25%
- Test Review Exercises: 10%
- Bloomberg Exercise: 5%
- Final: 35%

Modifications: The course outline is subject to modification.

GRADING SCALE:

- 93-100: A
- 89-92: A−
- 85-88: B+
- 80-84: B
- 77-79: B−
- 74-76: C+
- 65-73: C
- 55-64: C−
- 45-54: D
- 0-44: F