ECON 201-03 Macroeconomic Principles

Carol Rankin
RANKIN@XAVIER.EDU

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GOALS: ECON 201 is designed as an introduction to the theoretical foundations of macroeconomics. Students are introduced to economic models explaining the determination of an open economy’s aggregate output, price level, employment and economic growth rates. Emphasis is placed on the role of public policy in relation to issues of full employment, price stability, economic growth, government finance and international trade. ECON 201 is a required course in the undergraduate business curriculum and a social science elective in the Xavier Core Curriculum.

OBJECTIVES: Students completing this course should know and understand:

1) The basic definitions and measurements used in macroeconomics, i.e., the jargon of macroeconomics.
2) Why unemployment and inflation are economic problems.
3) The determinants of aggregate demand and aggregate supply.
4) The concept of macroeconomic equilibrium and controversies surrounding the ability of the economy to achieve a full-employment equilibrium.
5) The role of fiscal policy in the macroeconomy.
6) The role of money in the economy.
10) The role of monetary policy in the macroeconomy.
11) The current debates concerning the effectiveness of fiscal and monetary policy.
12) The impact of international exchange on the macroeconomy.
13) The effect of international exchange on monetary and fiscal policy.

UNDERGRADUATE LEARNING GOALS – WILLIAMS COLLEGE OF BUSINESS

The Williams College of Business has chosen to emphasize the following learning goals in its undergraduate business curriculum. The specific learning objectives supported by required coursework in Economics 201, Macroeconomic Principles, are highlighted.

Critical Thinking
Learning Goal: WCB graduates will be able to think logically, reason quantitatively, and utilize appropriate analytical techniques and technology when evaluating and making decisions.
Corresponding Objective:
(1) WCB students will collect, evaluate and synthesize information to offer solutions and support decision making.

Ethics and Social Responsibility
Learning Goal: WCB graduates will be able to recognize ethical issues, discern moral implications of decision making, and be prepared, and willing, to serve as responsible and professional members of society.

Effective Written and Oral Communication
Learning Goal: WCB graduates will be able to organize, support and communicate ideas clearly and effectively, employ multiple mediums of communication (e.g., written, oral and visual), and adapt communication to audience, context or purpose.

Corresponding Objectives:
(1) WCB students will produce business documents and reports demonstrating their ability to organize and communicate ideas clearly and professionally.
(2) WCB students will make effective presentations, accompanied by the appropriate technology, demonstrating their ability to organize and communicate ideas clearly and professionally, both individually and in teams.

Global Perspective and Cultural Diversity
Learning Goal: WCB graduates will appreciate the historical and cultural contexts of the world in which they live, demonstrate the competencies required for engaging in global business activities, and respect and value diverse peoples and perspectives.

Corresponding Objectives:
(1) WCB students will identify and contrast key attributes of countries’ business environments.
(2) WCB students will evaluate and integrate global economic, political, technological, environmental and societal issues into their decision making.

Understanding and Application of Knowledge Across Business Disciplines
Learning Goal: WCB graduates will be able to evaluate business from an integrative and holistic point of view, leverage the synergies between functional business areas, and demonstrate college-level mastery of their chosen discipline.

Corresponding Objectives:
(1) WCB students will demonstrate the appropriate knowledge of accounting, economics, finance, management, management information systems, marketing, quantitative business analytics, international issues, and the legal and social environment of business.
(2) WCB students will evaluate business problems from an integrative point of view, including diverse business functions, competition and external environment (social, political, economic, and environmental.)

Personal and Professional Development
Learning Goal: WCB graduates will be well-prepared for their future careers and appreciate the importance of continuous professional development and life-long learning.
This course is part of the Xavier Core Curriculum, which aims to develop people of learning and reflection, integrity and achievement, in solidarity for and with others.

The Social Sciences study human behavior and action in a systematic, rigorous, evidence based, generalizing, objective, and cumulative way. They apply the scientific method, using qualitative and quantitative techniques, to study how people behave and act as individuals, in groups, and in society. In this course, you will analyze social issues using scientific research conducted with diverse populations. You will become better able to describe the role and functions of social institutions, explain human behavior and relationships within complex social systems, and critically analyze social science issues within a larger historical and global context.

The course addresses the following core learning objectives at the introductory level:

1a: Students recognize and cogently discuss significant questions in the humanities, arts, and the natural and social sciences.

5a: Students examine the diverse, complex and interdependent nature of people in the world.

4a: Students describe and examine the multifaceted character of society and how the inclusion of different perspectives can influence one’s worldview.


The required text will be supplemented with readings concerning current issues.

**COURSE EVALUATION:**

**Quizzes/Homework Sets (15%)**: There will be weekly assignments or short quizzes designed to reinforce and apply topics covered. Homework assignments are due the class period after assigned. If you are unable to attend class you may email the assignment by class time on the due date.

The assignments may be completed by individuals or by a “team” of students working together. Working on a team is strongly encouraged. If you choose to work with a team, the following applies:

1) A team can consist of no more than three students.
2) The team submits a single assignment.
3) All work reflects input from each member of the team, i.e., each question is discussed by all members.
4) Teams may be reorganized throughout the course of the semester.

**There are no make-up assignments or quizzes.** The lowest quiz/homework grade will be dropped prior to computing the average. The quizzes/homework sets comprise 15% of the final grade.
Examinations (80%): There will be four exams given during the course. These exams will be a mixture of multiple choice questions, essays, and problems. The exam with the highest score will be weighted 25%; the exam with the lowest score will be weighted 15%; and the remaining two exams will be weighted 20% each. There will be no make-up of the exams unless approval is given prior to the examination.

Class Participation (5%): Being prepared, responding to questions posed, contributing in class, and discussing or presenting pertinent current events, will enhance your grade. Not being prepared, excessive absences and being discourteous (arriving late, leaving, using cell phones, texting, and talking while others are speaking, etc.) will reduce your grade.

This class has a no laptop/tablet policy with the exception of Fridays when there frequently will be group work requiring the use of these devices for data retrieval and access to current macroeconomic readings/information by the group.

ATTENDANCE: Students are responsible for all material covered in class lectures as well as knowing any announced changes from the course outline. Please see above policy on make-up exams.

ACADEMIC HONESTY:

http://catalog.xavier.edu/content.php?catoid=20&navoid=1023#Academic_Honesty

GRADES: Will be assigned as follows:

<table>
<thead>
<tr>
<th>Average</th>
<th>Grade</th>
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<tbody>
<tr>
<td>100-94</td>
<td>A</td>
</tr>
<tr>
<td>93-90</td>
<td>A-</td>
</tr>
<tr>
<td>89-87</td>
<td>B+</td>
</tr>
<tr>
<td>86-84</td>
<td>B</td>
</tr>
<tr>
<td>83-80</td>
<td>B-</td>
</tr>
<tr>
<td>79-77</td>
<td>C+</td>
</tr>
<tr>
<td>76-74</td>
<td>C</td>
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<tr>
<td>73-70</td>
<td>C-</td>
</tr>
<tr>
<td>69-60</td>
<td>D</td>
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<tr>
<td>59 or below</td>
<td>F</td>
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**COURSE OUTLINE**  
(Dates are approximate)

Note: The material covered in chapters 1 – 4 of the text represents a basic introduction to economics. All students who have not completed ECON 200, or a microeconomic principles course, recently should review these chapters, particularly Chapter 4 – Supply and Demand: An Initial Look.

<table>
<thead>
<tr>
<th>Dates</th>
<th>Required Reading</th>
<th>Topics Covered</th>
</tr>
</thead>
</table>
| January 9, 11 & 13 | B&B – Chapter 2  
The Economy: Myth and Reality  
B&B – Chapter 5  
An Introduction to Macroeconomics | Overview of the American economy.  
Current economic conditions.  
Sources of macroeconomic data.  
The basics of supply and demand analysis.  
Equilibrium in markets.  
Shortages and surpluses.  
Comparative static analysis.  
Measurement of gross domestic product. |
| January 16       | **Martin Luther King, Jr. Day**                                                  |                                                                                 |
| January 18 & 20  | B&B – Chapter 5, continued  
B&B – Chapter 6  
The Goals of Macroeconomic Policy | Problems with using GDP as a measure of economic well-being.  
Basic macroeconomic issues and definitions – unemployment, inflation, business cycles. |
| January 23, 25 & 27 | B&B – Chapter 6, continued  
B&B – Chapter 7  
Economic Growth: Theory and Policy  
-- selected topics | Economic growth and productivity.  
Definitions and measurement.  
Historical trends and international comparisons. |
| January 30       |                                                                                 |                                                                                 |
| February 1       | B&B – Chapter 7, continued  
Review for first exam | Growth policy.                                                                 |
| **Friday, February 3** | **Exam I, Chapters 2, 5 – 7**                                                   |                                                                                 |
| February 6, 8 & 10 | B&B – Chapter 8  
Aggregate Demand and the Powerful Consumer | Circular flow and macro equilibrium.  
Income, consumption and saving.  
The consumption function.  
The theory of investment.  
Determinants of net exports.  
The Income/Expenditure Model.  
Demand-side equilibrium.  
Changes in equilibrium output – simple spending multipliers.  
Derivation of aggregate demand. |
| February 13, 15 & 17 | B&B – Chapter 9  
Demand-side Equilibrium  
Unemployment or Inflation? | The Income/Expenditure Model.  
Demand-side equilibrium.  
Changes in equilibrium output – simple spending multipliers.  
Derivation of aggregate demand |
| February 20, 22 & 24 | B&B – Chapter 10  
Supply-side Equilibrium:  
Unemployment and Inflation? | Determinants of aggregate supply.  
Changes in equilibrium output and prices.  
Short-run inflationary and recessionary gaps.  
The self-correction mechanism. |
| February 27      | B&B – Chapter 10, continued  
Review for second exam |                                                                                 |
<p>| <strong>Wednesday, March 1</strong> | <strong>Exam II, Chapters 8 – 10</strong>                                                   |                                                                                 |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Notes</th>
<th>Reading/Notes</th>
<th>Review/Exam Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 3</td>
<td>B&amp;B – Chapter 11</td>
<td>Fiscal policy tools. Discretionary fiscal policy in the Keynesian model.</td>
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<tr>
<td>March 20, 22 &amp; 24</td>
<td>B&amp;B – Chapter 12, 13, 14, continued</td>
<td>Definition and functions of money. Relationship between money and the price level. The banking system and the money creation (destruction) process. The Federal Reserve System. Traditional monetary policy tools.</td>
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<tr>
<td>March 27, 29 &amp; 31</td>
<td>B&amp;B – Chapter 13, 14, 15, continued</td>
<td>Bond prices, interest rates and anticipated inflation. Keynesian transmission mechanism for monetary policy. Monetary policy in the current environment.</td>
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<tr>
<td>April 3</td>
<td>B&amp;B – Chapter 14, continued</td>
<td>Debates concerning the effectiveness of fiscal and monetary policy. Aggregate supply, revisited.</td>
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<tr>
<td>Wednesday, April 5</td>
<td><strong>Exam III, Chapters 11 – 14</strong></td>
<td>Government surpluses and deficits. Government debt, interest rates, and crowding out.</td>
<td></td>
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<tr>
<td>April 7</td>
<td>B&amp;B – Chapter 15</td>
<td>Exchange rates. Determinants of flexible exchange rates: the short run, the medium run and the long run. Fixed exchange rates and the balance of payments. The international financial system.</td>
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<tr>
<td>April 10 &amp; 12</td>
<td>Chapter 16, 17, 18, 19, 20</td>
<td>Aggregate demand and aggregate supply in an open economy. The macroeconomic effects of changes in exchange rates. Fiscal and monetary policies in an open economy with flexible exchange rates.</td>
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<tr>
<td>April 13 - 17</td>
<td><strong>Easter Holiday</strong></td>
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<tr>
<td>Monday, May 1</td>
<td><strong>Exam IV – Chapters 15-16, 19-20.</strong></td>
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