

ECON_OX 112-02A1(5333)
Principles of Macroeconomics
MW 2:30-4:10 p.m.

ECON_OX 112-01J (5332)
Principles of Macroeconomics
TuTh 1:40PM - 3:20PM Seney Hall 322

Spring 2014

Instructor: Dr. Frank Maddox
318 Seney Hall
Phone: 784-8357
Office Hours 1:00-1:40 p.m.(M-Th)

Course Description: Econ 112 presents the main national economic issues of unemployment, inflation and economic growth in the context of a theory of national income determination. The course begins by reviewing from principles of microeconomics the economic problems facing every society and the possible ways that society can organize itself to solve these problems. The laws of demand and supply are reviewed.

As our focus becomes macro-specific we discuss aggregation concerns as we build an AD/AS model of the economy to depict business cycles and the notion of long-run growth trends.

Next, the measurement of the flow of national income and its major components, such as consumer spending, is summarized. These concepts become the basis for an explanation of the size of the total flow of income, and for policy recommendations to influence the size and stability of that flow. Aggregate demand for final output and aggregate supply of it are used to analyze business cycles, the deficit and fiscal policy. After describing money and the banking system, the role of the Fed in setting monetary policy is presented.

The twin problems of unemployment and inflation are then put into theoretical and, historical policy perspectives. The analysis is extended to include the balance of international payments and the foreign currency exchange markets. The course concludes by examining factors that contribute to the long-run growth of national income and the development of the infrastructure of an economy.

The Great Recession triggered by the Financial Meltdown and the subsequent “jobless” recovery/foreclosure crisis/financial reform events will be emphasized. The dual ideologies of Keynes and the Austrians will be highlighted this semester stemming from

the resurgence in debate regarding the appropriate size/role of the Federal Government as it pertains to the economy.

Course Objective: the goal of Econ 112 is to develop a framework which the student may use to analyze the overall behavior of modern national mixed capitalist economies. This framework introduces the student to the economic way of thinking about the macro-level forces at work in society which shape economic performance and guide economic policy. Performance and policy then feed back to influence the business and social environment.

Method of Instruction: Econ 112 is taught through a combination of lecture & discussion. Class interaction allows the students to discover the strengths and weaknesses of past and current policy executed by U. S. policy-makers. The first-person perspective is valued in this course and is cultivated using expository writing.

Required Texts: There are no required texts for the course. The professor will provide a variety of readings and videos which will constitute the source of materials covered in the course. The primary economic model we will build is based upon the model developed in Joseph Stiglitz's 2006 book—there are copies of this book available on reserve in the library. If you want to get your own copy here's the info:

Stiglitz, Joseph E. & Carl E. Walsh, Principles of Macroeconomics 4th edition, W.W. Norton and Company, 2006. ISBN 0-393-92624-9.

The current syllabus provides those reading which are currently identified as appropriate for the course. During the semester the syllabus will be modified almost weekly to add readings/writing prompts related to relevant current events.

Examinations, Homeworks, and Quizzes: There will be two in-term exams and a comprehensive final exam. Several homeworks and announced quizzes will be assigned during the semester. Homeworks will include problem sets and writing responses to assigned readings.

Grading Policy: Each exams accounts for 30% of the course grade—homeworks and announced quizzes account for the remaining 10% of the grade. Several of your assignments will be ungraded; ungraded but completed work will be assigned a numerical grade of 94—the lowest numerical value of an A grade. Your numerical average will be converted into a final letter grade:

A = 94 up to 100

A- = 90 up to 94

B+ = 87 up to 90

B = 84 up to 87

B- = 80 up to 84

C+ = 77 up to 80

C = 74 up to 77

C- = 70 up to 74

D+ = 67 up to 70

D = 60 up to 67

F = 0 up to 60

Attendance Policy: Attendance is required and will be recorded. One point will be deducted from the student's final numerical grade for each absence in excess of three absences.

Make-up Examination Policy: Make-up examinations are given by permission of the course instructor. Students must contact the instructor in writing prior to the scheduled exam in order for an excuse to be considered.

Honor Code – Students should re-read the honor code prior to taking this course. Academic misconduct will not be tolerated.

Important Dates

January 14	Tuesday	Classes begin
January 20	Monday	Martin Luther King Jr. Holiday
January 21	Tuesday	Last day for changing courses
March 7	Friday	Last day for dropping courses without academic penalty
March 10 - 14	Monday – Friday	Spring Break
April 4	Friday	Last day for one time course withdrawal for freshmen
April 28	Monday	Classes end
April 29	Tuesday	Reading Day
April 30 - May 2 May 5 - 7	Wednesday - Friday Monday - Wednesday	Final Exams
May 10	Saturday	Commencement
May 12	Monday	End of Term

Final Exam – Econ112-01J- Friday May 2nd 9:00-12:00 a.m. – Seney 322
Econ 112-02A1 – Wednesday, May 7 9:00-12:00 a.m. – Seney 322

Course Outline

Week 1. January 14-17.

- Review Syllabus
- Assign Countries
- Pre-test on economic indicators (scavenger hunt for homework)
- Review of Micro concepts needed for Macro:
 - PPF
 - Circular Flow
 - Markets
 - Comparative Advantage

What's in the news??? Inequality/debt/unemployment

[Why Inequality Matters- Paul Krugman – New York Times Dec 15, 2013](#)

[Inequality Indian Style- Roger Cohen – New York Times Dec 19, 2013](#)

[Inequality is a Choice – Joseph Stiglitz- New York Times – Oct. 13, 2013](#)

[Survey in China Shows a Wide Gap in Income- E. Wong NYTimes July 2013](#)

[All Men are Created Unequal the Economist Jan 4, 2014.](#)

[Worsening Income Inequality – Al Gore- Huffington Post \(video as well\)](#)

Week 2. January 20-24. The AD/AS Model and the Business Cycle

[Maddox Video: Anatomy of Business Cycle](#)

[Alan Blinder - Teaching Macro after the Crisis – April 2010](#)

- Introduction to the Macro Economy
- AD-AS compared to Market Model
- Whose demand is represented by the AD curve?
- $C+I+G+NX$
- Shape(s) of the AS curve
- Use AD-AS to demonstrate/derive the Business Cycle
- Business Cycles – the case for Stabilization Policy
- -rising inflation rates/ unemployment rates > natural rate
- Monetary Policy
- Fiscal Policy
- countercyclical vs. procyclical
- tax changes and changes in spending
- Supply Shocks-- Stagflation
- Growth Policy

Week 3. January 27-31. Macroeconomic Data

Maddox Video: Leakages and Injections Model

Maddox Video: Calculating GDP

Is “official” data politicized? Nelson Schwartz- NYTimes – Nov. 20, 2013

“Income and Happiness” A GDP critique Robert Frank NYTimes March 2008

Bureau of Labor Statistics

Bureau of Economic Analysis

- Circular flow model for Macro- equivalence of income and expenditures
- Data- GDP, Inflation rates, etc.
- The Circular Flow revisited from Micro.
- Understand the equivalency of Income and Expenditure Approach to GDP
- Real vs. Nominal GDP
- Real vs. Nominal Interest Rates
- BLS and BEA data.
- Stock vs. Flow Concepts
- National Debt and annual budget surplus/deficit
- International Balance of Payments and Current/Capital account surplus/deficits

Week 4. February 3-7. Lessons from History

The Panic of 1907 – the case for the Fed (located on Blackboard)

Class Presentations of Countries- economic statistics

- Stabilization and Growth Policies—the politics of Economics
- History Lessons
 - financial panics 1907, 1929 and 2008
 - -The Crash of 1929
 - the cycle of regulation

Week 5. February 10-14. Ideology in Macroeconomics

New Old Thing- Jeffersonian populism returns- Jay Cost- *Weekly*

***Standard* Aug2013 – (located on Blackboard)**

Joseph A. Schumpeter “Creative Destruction.”

Paul Krugman vs. Ron Paul debate

Defending the one percent. Gregory Mankiw- Journal of Economics Perspectives- (on Blackboard)

Winner-take-all Politics- Hacker and Pierson (on Blackboard)

Winner-take-all Politics; Hacker & Pierson (chapters 1 & 2 on Blackboard)

○ Inequality

- The role of Ideology in Macro
- The Keynesian Revolution and the Keynes/Hayek Debate
- Who are the Austrians?
- The role of Superpacs today.

Week 6. February 17-21.

Exam 1: ECON_OX 112-02A1(5333)- February 17

ECON_OX 112-01J (5332) – February 18

[-Inside the Meltdown- view video](#)

Week 7. February 24-28. **Macroeconomic Policy**

[Maddox Video: Bank Reserves](#)

[Maddox Video: Money Multiplier](#)

[The Structure of the Federal Reserve System](#)

[Monetary Policy](#)

- Monetary & Fiscal Stabilization Policy
- Growth Policy
- The Structure of the Federal Reserve System
- The Banking System
- How banks create money
- Money Multiplier.
- The tools of Monetary Policy

Week 8. March 3-7. **Building a model of the Aggregate Economy**

[Maddox Video: Aggregate Expenditure Model](#)

[Maddox Video: Consumption Function](#)

[Maddox Video: Spending Multiplier](#)

- Banking (continued)
- Aggregate Expenditure Model

Week 9. March 10-14 Spring Break.

Week 10. March 17-21. **Building a model of the Aggregate Economy**

[Maddox Video: Deriving the ADI Curve](#)

[Maddox Video: Fed's Monetary Policy Rule](#)

[Stiglitz Chapter on Model \(on Blackboard\)](#)

- Build a model of the macroeconomy
- ADI/PA model
- Milton Friedman's Consumption Function

Week 11. March 24-28.

Exam 2: ECON_OX 112-02A1(5333)- March 26

ECON_OX 112-01J (5332) – March 27

Week 12. March 31-April 4. **Stabilization Policy Topics**

[Maddox Video: ADI Model- applications](#)

Week 12. April 7-11.

[Maddox Video: ADI Flexible Exchange Rates](#)

[Maddox Video: ADI Fixed Exchange Rates](#)

- International economics
- Exchange rate determination
- the “exchange rate shuffle”
- Real vs. Nominal Exchange Rates
- Arbitrage
- U.S. participation in Trade Organizations

Week 13. April 14-18.

Economics policy in other countries- class presentations

Week 14. April 21-25.

Economic policy in other countries – class presentations

Week 15. April 28 (last day of class).

April 29 Reading Day.

Final Exam:

Econ112-01J- Friday May 2nd 9:00-12:00 a.m. – Seney 322

Econ 112-02A1 – Wednesday, May 7th 9:00-12:00 a.m. – Seney 322