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TTh 10:00 - 11:00
& by appointment

Econ 112.12A
Macroeconomics
Fall 1992

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 describing 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 examined.

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 Central Bank in setting monetary policy is presented.

The twin problems of unemployment and inflation are then put into a theoretical, historical and policy perspective. 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.

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 economics. 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, homework and examinations. Class interaction allows the students to discover the strengths and weaknesses of past and current policy executed by U.S. policymakers.

Text and Other Material Required to be Purchased by Student:

Robert B. Ekelund, Jr. and Robert D. Tollison, Economics,
3rd edition, Harper Collins Publishers Inc., 1991.

The Wall Street Journal

EMORY UNIVERSITY



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Examinations: There will be three in-term exams and a comprehensive final examination. The dates assigned for the exams will not change. However the material covered on each exam may deviate from the course schedule according to progress in lecture.

Grading Policy: Each in-term exam accounts for 20% of the course grade. The final exam accounts for 30% of the final grade. Homework assignments account for the remaining 10% of the course grade. Exams will be graded numerically. Your numerical average will be converted into a letter grade: 90 or above = A, 80 up to 90 = B, 70 up to 80 = C, 60 up to 70 = D, below 60 = F.

Attendance Policy: Attendance is required and will be recorded each class period. Attendance will be taken at the beginning of class. Students arriving after attendance is taken as well as those who leave before the scheduled ending time of the class will be recorded absent.

Make-up Examination Policy: Make-ups exams will be permitted only with written support (approved by the instructor) of serious situations which preclude the student's ability to take the exam during the scheduled time.

Important Dates

September 21 - Exam I
September 25 - Last day to drop without academic penalty
October 12,13 - Mid-semester break
October 26 - Exam II
November 25-27 - Thanksgiving recess
November 30 - Exam III
December 11 - Final exam, 9:00-12:00

Course Outline

Week 1 Aug. 24, 26, 28.

The economic way of thinking and an overview of the main themes of the course. Review of basic math and graphs. The production possibilities frontier and trade-offs, and opportunity cost.

Chapter 1. Economics in Perspective

Chapter 2. Economic Principles

Week 2 Aug. 31, Sept. 2, 6.

Specialization and trade. The market system and the circular flow. American mixed capitalism. Government functions and expenditures at the federal, state and local levels. The market mechanism at the microeconomic level: demand, supply, prices and their interaction to determine a partial equilibrium in one market. Prices as rationing devices.

Chapter 3. Economic Institutions and the Role of Government

Chapter 4. Markets and Prices: The Laws of Demand and Supply

Week 3 Sept. 9, 11.

The market mechanism continued. The elasticity of demand Price, employment and growth objectives of national economic policy. Definitions of unemployment, inflation, income, and the business cycle.

Chapter 5. Elasticity

Chapter 23. Macroeconomics: Contemporary Problems and Issues

Week 4 Sept. 14, 16, 18.

Measuring economic performance at the national level. Major components in the circular flow of income. The measurement of price changes.

Chapter 24. Measuring the Macroeconomy.

Week 5 Sept. 21 - Exam I; Chpts. 1-5, 23, part of 24.
Sept. 23, 25.

The measurement of the macroeconomy continued. Classical theory of long-run macroeconomy equilibrium: the production possibility curve and aggregate supply; Say's Law; wage-price flexibility; the quantity theory; the real interest rate.

Chapter 24. (continued)

Chapter 25. Classical Theory

Week 6 Sept. 28, 30, Oct. 2.

The Keynesian model of national income determination. Consumption spending by households, as influenced by disposable income, saving, prices, the interest rate and demographic patterns. Investment expenditure plans. Factors influencing equilibrium income.

Chapter 26. Introduction to Keynesian Economics

Week 7 Oct. 5, 7, 9.

The expenditure multiplier and equilibrium income. Expansionary and contractionary gaps. Government spending and taxing contracyclical policies. The effects of foreign trade on national income.

Chapter 27. Output Fluctuations and the Public Sector

Week 8 Oct. 14, 16.

The interaction of aggregate demand and supply. Fiscal and supply side policies. Theory and practice of fiscal policy: the budget deficit; government spending; taxation and who should pay; tax reform.

Chapter 28. Aggregate Demand and Aggregate Supply

Chapter 29. Aggregate Demand and Aggregate Supply Shifts: Fiscal and Supply-Side Policies

Chapter 30. Public Finance and the Debt

Week 9 Oct. 19, 21, 23.

Functions of money in modern economics. Definition of money. The structure of the U.S. Banking System.

Chapter 31. An introduction to Money and the Banking System

Week 10 Oct. 26 - Exam II Chapter 24 - 31.
Oct. 28, 30.

Fractional reserve banking and the creation of money. The money multiplier. The Federal Reserve and the tools of monetary policy.

Chapter 32. Money Creation

Chapter 33. Money Regulation by the Federal Reserve System

Week 11 Nov. 2, 4, 6.

Money and inflation. The demand for money. The simple quantity theory of money. The income-expenditure view: the influence of monetary policy on spending through interest rates. The monetarist process of inflation.

Chapter 34. Money and Inflation

Chapter 35. Macroeconomic Theory and Policy

Week 12 Nov. 9, 11, 13.

Social and private costs of inflation. Sources of inflation: demand-pull and cost-push inflation. Business cycles and the twin problems of unemployment and inflation. Costs of unemployment. Investment and monetary theories of the business cycle.

Chapter 36. Unemployment and Business Cycles

Week 13 Nov. 16, 18, 20.

Exchange rates and their relationship to relative inflation rates, relative interest rates and income. Fixed and flexible exchange rate systems. The balance of international payments: current and capital accounts.

Chapter 39. The International Monetary System

Week 14 Nov. 23.

Economic growth. Factors influencing national productive capacity. The accumulation of human skills and physical capital. Contemporary explanations of growth.

Chapter 37. Economic Growth and Productivity

Week 15 Nov. 30 - Exam III; Chpts. 32-37, 39.

Dec. 2, 4 - Review for final examination