

Econ 112
Principles of Macroeconomics
Fall 2004

Instructor: Dr. Frank Maddox
318 Seney Hall
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Office Hours 1:00-2:00 (M,Tu, W,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 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 Fed 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 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.

Text Required to be Purchased by Student:

Stiglitz, Joseph E., Principles of Macroeconomics 3rd edition, W.W. Norton & Company, ISBN 0393-97519-3.

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 exam accounts for 30% of the course grade. Homeworks/quizzes account for 10% of the course 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 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.

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

Important Dates

September 6 – Labor Day Holiday

September 23 – Exam I
October 11-12 – Midsemester Break
October 28 – Exam II
November 24-26 – Thanksgiving Break
Final Exam—see schedule

Course Outline

Week 1; August 23-27

Chapter 1. Macroeconomics and the Economic Perspective

Chapter 2 How to Think Like an Economist

Week 2: August 30-September 3

Chapter 3. The Price System

Week 3; September 6-10

Chapter 4 Households, Firms, and Market Outcomes

Chapter 5 Macroeconomic Goals and Measurement

Week 4; September 13-17

Chapter 6 The Full-Employment Model

Chapter 7 Money, Banking, and Credit

Week 5; September 20-24

Chapter 8 Government Finance and the Open Economy at Full-Employment

Exam 1- September 23- Chapters 1-8

Week 6; September 27- October 1

Chapter 9 Growth and Productivity

Chapter 10 Introduction to Macroeconomic Fluctuations

Week 7 October 4-8

Chapter 11 Aggregate Expenditures and Income

Fall Break October 11-12

Week 8; October 13-15

Chapter 12 Aggregate Demand and Inflation

Week 9; October 18-22

Chapter 13 Inflation and Unemployment

Week 10 October 25- 29

Chapter 14 The Role of Macroeconomic Policy

Exam II- October 28 Chapters 9-14

Week 11; November 1-5

Chapter 15 Policy in the Open Economy

Chapter 16 A Student's Guide to Investing

Week 12; November 8-12

Chapter 17 The International Financial System

Week 13; November 15-19

Chapter 18 Controversies in Macroeconomic Policy

Week 14; November 22-23

Chapter 19 Government Fiscal Policy, Deficits, and Surpluses

Week 15; November 29-December 3

Chapter 20 Development and Transition

Week 16; December 6-7

Review for final