

# American University

## Department of Economics

### Course Syllabus

#### Principles of Economics

Fall 2008

Instructor: Christopher G. Davis, Ph.D.

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Location: Ward 106, Department of Economics

Time: Monday and Thursday from 8:30 to 9:45 A.M.

**TEXTBOOK:** Campbell R. McConnell and Stanley L. Brue, Economics, 17<sup>th</sup> edition McGraw Hill, 2006. (Required)

William Walstad and Robert Bingham, Study Guide to Accompany Economics. 17<sup>th</sup> edition, McGraw Hill, 2007. (Optional)

### Course Description:

Principles of Economics I is the first course of a two semester course sequence in introductory economics. These courses introduce the student to the basic principles of economic theory and policy. Economics is a systematic discipline, which studies the production and distribution of goods and services in a world with unlimited human aspirations but finite productive resources. How economists conceptualize the diverse problem arising from the tension between unlimited desires and fixed resources will be discussed. The basic methods of thoughts and tools of analysis which economist used will be described. The students will be introduced to important policy issues which make economics a lively and a controversial field.

The main body of economic theory is typically divided into macroeconomics and microeconomics. Principles of Economics I is mainly focuses on macroeconomics, the study of how aggregate (large) units of the national economy behave. Macroeconomics studies the behavior of such important aggregate variables as total household consumption and savings, total business investment, government expenditures, the level of wage and employment, and the overall stock of money and credit. Macroeconomic theory studies these questions by dividing the economy into three types of inter-related markets; the market for labor, the market for goods and services, and the market for monetary and financial assets. Macroeconomics policy is concerned with unemployment, inflation, economic growth, and economic equity at the national level. Microeconomics (Principles of Economics II), on the other hand, is concerned with the study of individual households and firms, and specific industries and markets.

Students can find a vast amount of economics related material on the internet. A web site tailored to McConnell and Brue text is maintained by the publisher at <http://www.mhhe.com/economics/mcconnell16/>. Students are expected to visit this site periodically to read articles and issues related to day to day topics.

## **Objectives of Course:**

The purpose of this course is to introduce the student to the basic principles of macroeconomic theory and policy. Upon successful completion of the course, students should become familiar and comfortable with:

- The methods of thoughts and tools of analysis used by economists.
- The historical and contemporary facts of the economy at the macro-level, such as the history of business cycle, inflation, productivity, economic growth, income distribution, and structural change.
- The most important institutions of the economy, such as the household sector, the business sector, the financial system, the tax system, and the federal budget.
- The economic relationships used in macroeconomics theory such as the consumption function, the investment demand function, the aggregate expenditure function, the aggregate demand function, and the aggregate supply function.
- The concept of macroeconomic equilibrium and disequilibrium.
- Alternative theoretical models of macroeconomic behavior, such as the classical model, the Keynesian model, and the monetarist model.

## **General Course Requirements:**

The program of study consists of lectures, discussions, reading assignments and written assignments. Students are responsible for attending classes and completing all assignments in a timely manner. A minimum of four examinations will be given plus quizzes during the semester. The final grade will be based on class assignments, examinations, and quizzes.

## **Grading**

### **Item**

<b>Exam I</b>	<b>20%</b>
<b>Exam II</b>	<b>20%</b>
<b>Exam III</b>	<b>20%</b>
<b>Exam IV</b>	<b>20%</b>
<b>Quizzes and Class assignments</b>	<b>20%</b>

### ***Final project***

### **Scale**

<b>90-100%</b>	<b>A</b>
<b>80-89%</b>	<b>B</b>
<b>70-79%</b>	<b>C</b>
<b>60-69%</b>	<b>D</b>
<b>59-0%</b>	<b>F</b>

## **Course Contents:**

The course is divided into a number of topical units. The time period indicates for each unit is approximate. Reading assignments are indicated for the main textbook as well as for supplementary readings. The instructor may make changes or additions to the schedule of reading assignments.

### **UNIT 1 (4 WEEKS) INTRODUCTION**

- A. Economic and Economics Reasoning
- B. How Economists Look at Problems
- C. The Circular Flow Model
- D. Demand and Supply Analysis

Readings: McConnell and Brue, Chapters 1, 2, 3, 4

### **UNIT 2 (3 WEEKS)**

- A. The Private and Public Sectors
- B. The Global Economy
- C. National Income Accounting
- D. Economic Growth and Business Cycles

Readings: McConnell and Brue, Chapters 5, 6, 7

### **UNIT 3 (4 WEEKS)**

- A. The Classical School and Macroeconomics Debate
- B. The Keynesian Model of the Aggregate Economy
- C. The Keynesian Multiplier Model and Fiscal Policy

Readings: McConnell and Brue, Chapters 8, 9, 10, 11

### **UNIT 4 (4 WEEKS)**

- A. Money and Banking
- B. How Banks Create Money?
- C. The Federal Reserve System and the Monetary Policy
- D. Inflation and the Phillips Curve Trade-off

Readings: McConnell and Brue, Chapters 12, 13, 14, 15