

**Macroeconomics
ECON 100
Fall 2008**

*Professor: John Willoughby
Roper 106*

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Introduction

Welcome to American University's beginning course in economics. Economics is a complex discipline that studies how humans organize their material life. By material life, I mean those processes associated with the production, distribution and use of goods and services. Economists study how we humans organize this crucial aspect of our existence, and how this organization has changed over time. This means that economists consider alternative methods of producing and distributing goods and evaluate which methods can better attain goals such as efficiency and fairness. Because most economists study the modern period, economics particularly focuses on the ways in which markets organize our material life.

To address these topics, I have divided the class into four sections. The first section is called **Basic Concepts**. In this we discuss terms such as scarcity, trade-offs, opportunity cost, efficiency, equity, efficiency, equilibrium, supply and demand. This section will introduce you to the ways in which economists reason, and I hope to convince you that this way of thinking will give you important insights about the world around you.

Section II is entitled **Economic Growth**. One of the most astonishing features of the modern world is that we now experience constant change in production and consumption habits. More and more people of the world have at least for now escaped material privation. We have far more options than we used to. This section will define growth more precisely, explore the causes of growth, and consider the consequences of this constant revolutionizing of our material life.

Section III is called **Keynesian Economics**. Here you will learn about the role of money and financial markets in our economy, the causes of unemployment and inflation, and what the government tries to do to influence the direction of the economy. This section should allow you read the business press more intelligently and critically.

Section IV is called **Globalization**. In this section, we will consider how expanding international trade, investment and migration has affected our economic lives and changed the ways in which governments can intervene into our economy. We will also explore the arguments that economists make for and against unregulated international liberalization.

My goal for this class is simple. I want to help create a more intelligent and engaged group of citizens who understand basic economics and can participate in those policy debates that are so important to our lives in the present and future.

General Education and Academic Integrity

Economics 100 is an introductory General Education class in Area IV. You are urged to consult the university catalogue to determine what second level courses are linked to this class.

All classes at American University are governed by our academic integrity code. While students should develop their ideas by sharing their ideas with other students, all of you are expected to only present work that you have done by yourself. Avoid all circumstances that might lead you to plagiarize or that might tempt you to cheat on tests. Any violation of the academic integrity code will be reported to the Associate Dean of the College of Arts and Sciences.

Grading Policy

There will be four major assignments for this class: one midterm on basic concepts, one essay comparing the classical perspectives of Adam Smith and Karl Marx, one midterm on Keynesian economics, and a final examination. The last exam will be comprehensive, but half of the exam will cover issues associated with globalization. These four assignments will count for eighty percent of your grade. The other twenty percent is associated with doing the electronic homework assignments which we will announce on Friday of every week

Class Discussion Sections

Because of the size of the class, it will be difficult to have intensive discussions during the lecture period. That is why, beginning in the second or third week of class, we will have regularly scheduled discussion sections which will be run by our excellent cadre of teaching assistants. Each teaching assistant will also have regularly scheduled office hours. These will be posted on blackboard at the end of the first week of class.

Readings

You should have access to one textbook: *Macroeconomics* (second edition) by Hubbard and O'Brien. In addition, I will post some readings on blackboard.

August 26 and 29: Basic Concepts: Scarcity, Efficiency, and the Market System

Read Chapters 1 and 2 of Hubbard and O'Brien

September 2 and 5: Basic Concepts: Supply and Demand Analysis: What Happened to Oil Prices?

Read Chapters 3 and 4 of Hubbard and O'Brien

September 9: Basic Concepts: Firms and Corporate Governance

Read Chapter 5 of Hubbard and O'Brien

September 12: Midterm Examination on Basic Concepts

September 16 and 19: Economic Growth: Measuring Economic Performance

Read Chapters 7 and 8 of Hubbard and O'Brien

September 23 and 26: Economic Growth: Long-Run Patterns and Explanations

Read Chapters 9 and 10 of Hubbard and O'Brien

September 30 and October 3: Economic Growth: Classical Analyses of Growth: Marx vs. Smith

Read Selections of Marx and Smith Posted on Blackboard

October 7 and 10: Keynesian Economics: Short-Run Analysis

Read Chapters 11 and 12 of Hubbard and O'Brien

Essay on Marx and Smith due on October 10

October 14: Keynesian Economics: Fundamentals of Money and Banking

Read Chapter 13 of Hubbard and O'Brien

October 21 and 24: Keynesian Economics: Monetary Policy and Financial Market Regulation: What's Going On at Wall Street?

Read Chapter 14 of Hubbard and O'Brien

Read Postings on Blackboard

October 28 and 31: Keynesian Economics: Fiscal Policy and the Issue of Budget Deficits

Read Chapter 15 of Hubbard and O'Brien

Read Postings on Blackboard

November 4: Keynesian Economics: Dealing with Unemployment and Inflation Simultaneously

Read Chapter 16 of Hubbard and O'Brien

November 7: Midterm Examination on Keynesian Economics

November 11 and 14: Globalization: International Trade and Open Economy Macroeconomics

Read Posting on Blackboard on Comparative Advantage

Read Chapter 17 of Hubbard and O'Brien

November 18 and 21: Globalization: International Financial Issues

Read Chapter 18 and Chapter 18 Appendix of Hubbard and O'Brien

November 25: Globalization: For and Against

View in-class movie

December 2 and 5: Globalization: Reforming Economic Institutions

Read Blackboard Postings on the IMF, World Bank, and World Trade Organization

December 12: Final Examination: 8:30 am – 11:00 am