American University
University College
Principles of Macroeconomics (Econ-100-080C)

Fall 2008 - Syllabus

The University College Program: This course is restricted to students in the University College. In addition to our regularly scheduled classes on Thursdays, students participate in Wednesday events (e.g. labs, field trips, and common events). During Welcome Week students in this course participate in the Freshman Service Experience (FSE). Please see the Blackboard site for this course, under Course Documents for an itinerary of the FSE.

The General Education Program: This course is also one of the Foundation Courses in Curricular Area 4 (Social Institutions and Behavior) in the University's General Education Program. It is the first of a two course sequence. You must take one of the following courses in order to complete the General Education requirements for Curricular Area 4:

- AMST-240 Poverty and Culture
- COMM-275 Dissident Media: Voices from the Underground
- ECON-200 Principles of Microeconomics
- EDU-200 Schools and Society
- FIN-200 Personal Finance and Financial Institutions
- GOVT-210 Political Power and American Public Policy
- GOVT-215 Civil Rights and Liberties
- PHIL-240 Ethics in the Professions
- SOCY-210 Inequality: Class, Race, Ethnicity
- WGST-225 Gender, Politics, and Power

(1) Course Description: Macroeconomics looks at the big picture of the performance of the national economy and its links to the global economy, as opposed to microeconomics, which focuses on the economic behavior of individual consumers and businesses. This course is designed to examine many aspects of the economy from this aggregate perspective. You will learn some of the basic tools economists use, fundamental concepts, graphing skills, and an overview of the interrelated components of the United States economy. We will explain the importance of supply and demand, economic measures, growth, employment and inflation, and how these relate to the business cycle and the health of the economy. You will also develop your knowledge of aggregate expenditures and aggregate supply and demand, which have a specific macroeconomic point of reference. In this course, we will demonstrate the roles of fiscal policy,
money, banks, and monetary policy in the economy, and how politics and the Federal Reserve can influence economic outcomes. You will also learn about the interplay of deficits, surplus, and national debt, and have the chance to analyze the U.S. Health and Social Security system. Throughout the course, you will have the opportunity to examine various international issues of particular importance in today’s global economy, such as exchange rates and the balance of payments. You will also take part in a group research project to conduct regional or country studies, which professional economists at various international organizations do for a living.

Course Prerequisites: No prerequisites necessary to take this course, other than a high school diploma (or equivalent). It is helpful to be familiar with spreadsheet programs (like Excel or Quattro Pro), PowerPoint, a word processor (such as Word Perfect, MS-Word), and Adobe Acrobat. Various computer labs on campus (e.g. Hurst, Anderson, …) offer training sessions.

(2) Learning Objectives: In this course, students will learn to:

- Define and discuss basic macroeconomic concepts.
- Explain the importance of the various decision makers in the U.S. economy.
- Demonstrate how supply, demand, and market equilibrium work.
- Distinguish between various measures of economic outcomes.
- Outline short-run and long-run instability and their influence on the business cycle.
- Explore measures of economic growth, unemployment, and inflation in developed and developing countries.
- Define concepts and models related to aggregate supply and demand and represent these relationships graphically.
- Identify the banking system and money’s supply and creation, and the influence of monetary policy.
- Understand government debt and deficits, their effects on the macro-economy, and the components of government spending (on defense, health, energy, and social security).
- Understand how exchange rates work, the different exchange rate systems, and how balance of payments crises occur.
- Collect data and conduct research on macroeconomic conditions.

Macroeconomics has two central concerns: economic growth and business cycles. Economic growth pertains to the growth in the long run productive capacity of the economy. Business cycles deal with the short run fluctuations of the economy around its long run trend. These fluctuations are exhibited in economic booms and recessions, or inflation and unemployment. Often the goal of macroeconomic policies is to deploy fiscal and monetary policy instruments to try to dampen these fluctuations – hence the term stabilization policies – while promoting an environment conductive to long run growth. There are, however, other schools of thought that doubt the ability of policymakers to stabilize the economy and believe that activist, fine-tuning of the economy contributes to instability; hence some economists favor passive macroeconomic policy-setting and minimal government intervention. Due to globalization and international economic interdependence, policymakers often pursue macroeconomic objectives through international policy coordination.

Our learning approach is two-fold: (1) develop a conceptual framework for understanding macroeconomics, and (2) apply the conceptual tools to current events, and recent policy debates. A variety of means will be used to learn the material: lectures and review sessions, the readings, news videos, practice problems, research, class presentations, and field experiences.
(3) **Required Materials**

- **APLIA** (An online homework site: [www.aplia.com](http://www.aplia.com)).

**How to obtain these materials:**

Option 1: Purchase both items (bundled) at the campus bookstore. [The textbook should come in a shrink-wrapped version at the campus textbook store. Please do not discard the access card to Aplia that comes with the book. Note that the less expensive Black & White version of the textbook has been ordered.]

Option 2: You may purchase a new or used textbook from an alternative source (e.g. Barnes & Noble, Amazon.com, etc.), but it will not include a subscription to Aplia. To access Aplia, go to [www.aplia.com](http://www.aplia.com) and subscribe to APLIA separately.

Whether you choose Option 1 or 2, you will need the following Course Key to register in Aplia: **FM3B-VD3B-R96M**. For more details on accessing the Aplia site, please see the Instructions posted on Blackboard, under Course Information.

(4) **Course Evaluation:**

- 2 Midterms (15% per midterm) 30%
- Final Exam 25%
- Aplia Problem Sets 15%
- Group Presentation 20%
- Participation in UC Activities 10%

Each of these items is discussed below:

- The **1st midterm** will be held in class on Thursday September 25th at 1:00 – 2:15 pm, and the **2nd midterm** in class on Thursday October 30th at 1:00 – 2:15 pm. The **Final Exam** will be held in class on Thursday December 11th at 1:00 - 3:30 pm and will be **cumulative**.

- The **problem sets** will be assigned through APLIA. Go directly to [www.aplia.com](http://www.aplia.com) to access the problem sets. APLIA is an online workbook associated with the course. Again, you must first register with Aplia; see Blackboard -> Course Information for Instructions. The schedule for problem sets is as follows:

  **Due on:**
  1. Wednesday Sept. 3rd 11 pm.
  2. Wednesday Sept. 10th 11 pm.
  3. Wednesday Sept. 17th 11 pm.
  4. Wednesday Sept. 24th 11 pm.
  5. Wednesday Oct. 8th 11 pm.

  **Due on:**
  7. Wednesday Oct. 22nd 11 pm.
  8. Wednesday Oct. 29th 11 pm.
  9. Wednesday Dec. 3rd 11 pm.
Late assignments will not be accepted. In the case of Aplia, the system reveals the answers as soon as the due date/time is reached and prevents the editing of the assignment. If you miss an assignment or a midterm due to a medical or family emergency, please provide documentation and your assignment/exam will be waived and your final grade will be pro-rated. If you miss it because of a conflict with another course (e.g. field trip) or an athletic event, your assignment or exam will be waived only upon discussion with your instructor or coach and only if the conflict in question is unavoidable or irresolvable. If you cannot take the final exam at the scheduled time due to an emergency, you will be given an incomplete and an arrangement will be made for you to take a make-up final in the following Spring semester.

Students will also participate in a group presentation. Details of this project can be found on Blackboard, under Assignments; see Presentation Guidelines and Presentation Schedule – Sign up. The objective of this project is to evaluate policy issues in the U.S. as well as abroad; for example, in Latin America, Europe, Asia, and Africa. Presentations will be held in mid-November. Each group presentation should last approximately 25 minutes (and an additional 15 minutes for questions and comments from the audience). Please make sure to complete the sign-up sheet by Sept. 18th so that a final schedule can be drawn up. Attendance during class presentations is required. Point deductions will be assessed for unexcused absences from class presentations. A significant portion of the final examination will consist of material from the presentations. Moreover, the presentations will largely be peer-graded. At the end of the semester, your fellow classmates will fill out a performance evaluation of your group’s presentation. If students are absent, they will not be able to observe the performance of their peers.

University College students participate in common events, field trips, and experiential learning activities. This year’s common events are described in section 6 below. For your Wednesday ‘labs’, your program associates and I will plan and coordinate select activities. In the past, students attended sessions in Congress, toured government offices and international organizations in Washington D.C., interviewed local businesses, conducted field surveys, performed community service, and more. Further details will be provided concerning these activities. Each student will keep a journal of their University College activities discussing the events, their observations and reflections. Even if the activities involve a group project, each individual student should maintain his/her own journal. The grade for this component is based on your complete attendance and the quality of your participation and journal. The journal is due Dec. 11th, 4 pm.

Optional Review Sessions will also be available throughout the semester. The schedule of sessions is TBA and will be posted on Blackboard under Staff Information.

This is the grading scheme for this class:

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<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>93-100%</td>
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<tr>
<td>A-</td>
<td>85-92%</td>
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<tr>
<td>B+</td>
<td>77-84%</td>
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<tr>
<td>B</td>
<td>73-76%</td>
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<tr>
<td>B-</td>
<td>70-72%</td>
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<tr>
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<td>C</td>
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<td>D</td>
<td>50-59%</td>
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<tr>
<td>F</td>
<td>0-49%</td>
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Please familiarize yourself with the University's Academic Integrity Code and comply with it fully.
(5) Course Outline: The following is a tentative outline. Part I consists of an introduction to macro-economics, the tools of economic analysis (such as supply and demand), and measurement issues (such as how to measure output or unemployment). Part II focuses on developing a model of the macro-economy. As with models in the natural sciences, the value of a macroeconomic model lies in its capacity to help explain and predict macroeconomic phenomena. This part also introduces the role of fiscal and monetary policies. Part III builds upon the insights of macroeconomic models to analyze business cycles and economic growth, and to address recent domestic and international policy debates. Part IV is empirical in nature. Through group research and presentations, the rest of the course will examine current macroeconomic developments in different regions of the world.

**OVERVIEW:**

<table>
<thead>
<tr>
<th>Part I: BASIC TOOLS and MEASUREMENT ISSUES</th>
<th>Part II: MACROECONOMIC MODELING</th>
<th>Part III: BUSINESS CYCLES and ECONOMIC GROWTH</th>
<th>Part IV: REGIONAL and COUNTRY STUDIES</th>
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**Part I: BASIC TOOLS and MEASUREMENT ISSUES**

1. **Aug 27: 10 am** *(Roper Hall 101)*  
   - What is Macro? Markets, Demand & Supply  
     McConnell and Brue (henceforth Text): Chs. 2, 3; Appendix to Ch. 1

2. **Aug. 28**  
   - Demand & Supply cont’d; U.S. and Global Economy, Institutions  
     Text: Chs. 3 and 4 (pp. 75 - 80)

3. **Sept. 11**  
   - Data and Macroeconomic Measurement  
     Text: Ch. 5 (pp. 84 - 89 and pp. 92 - 100), Ch. 6

**Part II: MACROECONOMIC MODELING**

4. **Sept. 18**  
   - Policy Goals and Basic Relationships  
     Text: Chs. 7, 8

5. **Sept 25**  
   - Midterm Exam #1

6. **Oct. 2**  
   - Aggregate Demand and Supply; Fiscal Policy  
     Text: Chs. 10, 11

7. **Oct. 9**  
   - Monetary Policy  
     Text: Chs. 12, 13, and 14
Part III: BUSINESS CYCLES and ECONOMIC GROWTH

8. Oct. 16  Long Run Growth, Inflation & Unemployment
Text:  Chs. 16, 15

* Additional readings to be posted on Blackboard

10. Oct. 30  Midterm Exam #2

Part IV: REGIONAL and COUNTRY STUDIES

11. Nov. 5: 10 am (Room TBA)  International Finance and Economic Development
Text:  Chs. 19, 16W (posted on Blackboard)

12. Nov. 13  Class Presentations
U.S. Policy Issues

13. Nov. 20  Class Presentations cont’d
Country Studies: Europe Asia, Latin America, and Africa

14. Nov. 27  Thanksgiving Week (No Classes)

15. Dec. 4  Epilogue; Review for Final Exam

(6) Additional Notes:  Note that the lectures will not cover everything contained in the readings. Focus on what we cover in the lectures, and use them as a guide for your readings. Visit the course Blackboard site regularly to check announcements and information about the course and to download any lecture supplements and other resources. You can also use Blackboard to communicate with other students, your professor, teaching assistant, and program associate.

This year's University College common event is devoted to an in-depth exploration of a contentious issue: the role of faith in public life. This issue has relevance to current events; for example, the upcoming Presidential election, Supreme Court hearings, and public policy making in education, science, medicine, health, social policy, foreign policy, among others. Two University College common events will be held this semester during our normal Wednesday Labs: September 10th and November 12th. The first common event will be about “community”. The second common event will feature a talk by Krista Tippett, author of *Speaking of Faith*, who will then answer a set of questions from the audience, including one generated by our UC seminar. Students will be provided with a copy of her book in advance. Students will also write about their views or perspectives of the common events in their Wednesday lab journals.

Finally, please join your class group page on *Facebook*: search for AU UC Macro 2008. You are encouraged to share your University College experiences on the Wall, write about current events or UC events on the Discussion Board, and post photos of any Wednesday lab activities.