## COURSE SYLLABUS

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<td>ECON 2301</td>
<td>PRINCIPLES OF MACROECONOMICS</td>
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Prepared by: T. SMITH Date: April 2010

Approved by: ______________________________ Date: ______________

Susan Gann, Dean of Instruction

Approved by: ______________________________ Date: ______________

Dr. Joel Michaelis, Vice President of Instruction

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### Disabilities/ADA

In accordance with the requirements of the Americans with Disabilities Act (ADA) and the regulations published by the United States Department of Justice 28 C.F.R. 35.107(a), Hill College’s designated ADA coordinator, Debra Hargrove, Vice President, Human Resources and Organizational Development, shall be responsible for coordinating the College’s efforts to comply with and carry out its responsibilities under ADA. Students with disabilities requiring physical, classroom, or testing accommodations should contact Salley Schmid, Director of Counseling, at (254) 659-7651 or sschmid@hillcollege.edu
Catalog Description:

ECON 2301

History, development, and application of macroeconomic theory underlying the production, distribution, and exchange of goods and services including the utilization of resources, analysis of value and prices, national income analysis, fiscal policies, monetary and banking theory and policy, distribution of income, labor problems, international economics, and economics systems. Attention given to the application of economic principles to economic problems.

Lecture Hours: 3  Lab Hours: 0  Semester Credit Hours: 3

Prerequisites:

None

Introduction and Purpose:

Economics is the study of how scarce resources are allocated among unlimited wants. Macroeconomics is a study of economics as a whole. This study includes the concepts behind economic growth, inflation, unemployment, international trade, and various government economic policies. The purpose of this course is to help you become a better citizen by having a better understanding of the economic effects of such areas as welfare, health care, government deficits, national debt, and other issues on either the national or local level.

Instructional Materials:

Textbooks:  Economics Today by Miller; Addison Wesley 15th Ed.

Supplies:  Pencils and paper

Objectives/Student Learning Outcomes:

At the completion of this course the student should be able to:

1. Discuss the difference between microeconomics and macroeconomics.

2. Evaluate the role that rational self-interest plays in economic analysis.

3. Distinguish between positive and normative economics.

4. Evaluate whether even affluent people face the problem of scarcity.

5. Explain why the scarcity problem induces individuals to consider opportunity costs.
6. Discuss why obtaining increasing increments of any particular good typically entails giving up more and more units of other goods.

7. Distinguish between absolute and comparative advantage.

8. Explain the law of demand and the law of supply.

9. Discuss the difference between money prices and relative prices.

10. Distinguish between changes in demand (supply) and changes in quantity demanded (supplied).

11. Understand how the interaction of the demand for and the supply of a commodity determines the market price of the commodity and the equilibrium quantity of the commodity that is produced and consumed.

12. Discuss the essential features of the price system.

13. Evaluate the effects of changes in demand and supply on the market price and equilibrium quantity.

14. Understand the rationing function of prices.

15. Describe various types of government-imposed quantity restrictions on markets.

16. Explain how market failures such as externalities might justify economic functions of government.

17. Distinguish between private goods and public goods and explain the nature of the free-rider problem.

18. Describe political functions of government that entail its involvement in the economy.

19. Discuss the central elements of the theory of public choice.

20. Distinguish between average tax rates and marginal tax rates.

21. Explain how the taxes governments levy on purchases of goods and services affect market prices and equilibrium quantities.

22. Explain how the U.S. government calculates the official unemployment rate.

23. Discuss the types of unemployment.
24. Describe how price indexes are calculated and define the key types of price Indexes.

25. Distinguish between nominal and real interest rates.

26. Evaluate who loses and who gains from inflation.

27. Understand key features of business fluctuations.

28. Describe the circular flow of income and output.

29. Define gross domestic product (GDP)

30. Understand the limitations of using GDP as a measure of national welfare.

31. Explain the expenditure approach to tabulating GDP.

32. Explain the income approach to computing GDP.

33. Distinguish between nominal GDP and real GDP.

34. Define economic growth.

35. Explain why productivity increases are crucial for maintaining economic growth.

36. Describe the fundamental determinants of economic growth.

37. Understand the concept of long-run aggregate supply.

38. Describe the effect of economic growth on the long-run aggregate supply curve.

39. Explain why the aggregate demand curve slopes downward and list key factors that cause this curve to shift.

40. Discuss the meaning of long-run equilibrium for the economy as a whole.

41. Discuss the central assumptions of the classical model.

42. Explain the circumstances under which the short-run aggregate supply curve may be either horizontal or upward sloping.

43. Understand what factors cause shifts in the short-run and long-run aggregate supply curves.

44. Evaluate the effects of aggregate demand and supply shocks on equilibrium real GDP in the short run.
45. Distinguish between saving and savings and explain how saving and consumption are related.

46. Explain the key determinants of consumption and saving in the Keynesian model.

47. Identify the primary determinants of planned investment.

48. Describe how equilibrium real GDP is established in the Keynesian model.

49. Evaluate why autonomous changes in total planned expenditures have a multiplier effect on equilibrium real GDP.

50. Understand the relationship between total planned expenditures and the aggregate demand curve.

51. Use traditional Keynesian analysis to evaluate the effects of discretionary fiscal policies.

52. Discuss ways in which indirect crowding out and direct expenditure offsets can reduce the effectiveness of fiscal policy actions.

53. Explain why the Ricardian equivalence theorem calls into question the usefulness of tax change.

54. List and define fiscal policy time lags and explain why they complicate efforts to engage in fiscal "fine tuning."

55. Describe how certain aspects of fiscal policy function as automatic stabilizers for the economy.

56. Explain how federal government budget deficits occur.

57. Define the public debt and understand alternative measures of the public debt.

58. Evaluate circumstances under which the public debt could be a burden to future generations.

59. Analyze the macroeconomic effects of government budget deficits.

60. Define the fundamental functions of money.

61. Identify key properties that any good that functions as money must possess.

62. Explain official definitions of the quantity of money in circulation.
63. Understand why financial intermediaries such as banks exist.

64. Describe the basic structure and functions of the Federal Reserve System.

65. Describe how the Federal Reserve assesses reserve requirements on banks and other depository institutions.

66. Understand why the money supply is unaffected when someone deposits in a depository institution funds transferred from a transactions account at another depository institution.

67. Explain why the money supply changes when someone deposits in a depository institution funds transferred from the Federal Reserve System.

68. Determine the maximum potential extent to which the money supply will change following a Federal Reserve monetary policy action.

69. Identify the key factors that influence the quantity of money that people desire to hold.

70. Describe how Federal Reserve monetary policy actions influence market interest rates.

71. Evaluate how expansionary and contractionary monetary policy actions affect equilibrium real GDP and the price level in the short run.

72. Understand the equation of exchange and its importance in the quantity theory of money and prices.

73. Discuss the interest-rate-based transmission mechanism of monetary policy.

74. Explain why the Federal Reserve cannot stabilize both the money supply and interest rates simultaneously.

75. Describe how the Federal Reserve achieves a target value of the federal funds rate.

76. Explain key issues the Federal Reserve confronts in selecting its target for the federal funds rate.

77. Explain why the actual unemployment rate might depart from the natural rate of unemployment.

78. Describe why there may be an inverse relationship between the inflation rate and the unemployment rate, reflected by the Phillips curve.
79. Understand the rational expectations hypothesis and its implications for economic policymaking.
80. Explain why population growth can have uncertain effects on economic growth.
81. Identify the key functions of the World Bank and the International Monetary Fund.
82. Discuss the worldwide importance of international trade.
83. Explain why nations can gain from specializing in production and engaging in international trade.
84. Understand common arguments against free trade.

The students’ success in completing these objectives will be measured using a set of examinations and assignments described, in detail under the section of this syllabus headed “Method of Evaluation”.

Methods of Instruction:

This course will be taught face-to-face and by various distance learning delivery methods.

Audio-visual materials and computer-based technology will be used when appropriate. Students will be shown how to use a calculator where appropriate.

Methods of Evaluation:
Grades in this course will be based on the following evalulative criteria:

Exams will be given during the semester. The average of these exams will make up 75% of the students’ grades. The comprehensive final exam will count 25%.

Letter grades for the course will be based on the following percentages:

- 90-100% A
- 80-89% B
- 70-79% C
- 60-69% D
- Below 60% F

Course Outline:

Class policies:

Regular attendance at all class meetings is expected. Disruptions in class will not be tolerated.
I.  The Nature of Economics
   A.  The Power of Economic Analysis
   B.  Defining Economics
   C.  Microeconomics versus Macroeconomics
   D.  The Economic Person: Rational Self-Interest
   E.  Economics as a Science
   F.  Positive versus Normative Economics

II. Scarcity and the World of Trade-Offs
    A.  Scarcity
    B.  Wants and Needs
    C.  Scarcity, Choice, and Opportunity Costs
    D.  The World of Trade-Offs
    E.  Economic Growth and the Production Possibilities Curve
    F.  The Trade-Off between the Present and the Future
    G.  Specialization and Greater Productivity
    H.  Comparative Advantage and Trade among Nations

III. Demand and Supply
     A.  Demand
     B.  The Demand Schedule
     C.  Shifts in Demand
     D.  The Law of Supply
     E.  The Supply Schedule
     F.  Shifts in Supply
     G.  Putting Demand and Supply Together

IV. Extensions of Demand Supply Analysis
    A.  The Price System and Markets
    B.  Changes in Demand and Supply
    C.  The Rationing Function of Prices
    D.  The Policy of Government-Imposed Price Controls

V. Public Spending and Public Choice
    A.  What a Price System Can and Cannot Do
    B.  Correcting for Externalities
    C.  The Other Economic Functions of Government
    D.  The Political Functions of Government
    E.  Public Spending and Transfer Programs
    F.  Collective Decision Making: The Theory of Public Choice

VI. Funding the Public Sector
    A.  Paying for the Public Sector
    B.  Systems of Taxation
    C.  The Most Important Federal Taxes
    D.  Tax Rates and Tax Revenues
    E.  Taxation from the Point of View of Producers and Consumers
    F.  Financing Social Security
VII. The Macroeconomy: Unemployment and Inflation
A. Unemployment
B. The Major types of Unemployment
C. Full Employment and the Natural Rate of Unemployment
D. Inflation and Deflation
E. Anticipated versus Unanticipated Inflation
F. Changing Inflation and Unemployment: Business Fluctuations

VIII. Measuring the Economy's Performance
A. The Simple Circular Flow
B. National Income Accounting
C. Two Main Methods of Measuring GDP
D. Other Components of National Income Accounting
E. Distinguishing Between Nominal and Real Values
F. Comparing GDP throughout the World

IX. Global Economic Growth and Development
A. How Do We Define Economic Growth?
B. Productivity Increases: The Heart of Economic Growth
C. Saving: A fundamental Determinant of Economic Growth
D. New Growth Theory and the Determinants of Growth
E. Immigration, Property Rights, and Growth
F. Economic Development

X. Real GDP and the Price Level in the Long Run
A. Output Growth and the Long-Run Aggregate Supply Curve
B. Total Expenditures and Aggregate Demand
C. Shifts in the Aggregate Demand Curve
D. Long-Run Equilibrium and the Price Level
E. Causes of Inflation

XI. Classical and Keynesian Macro Analyses
A. The Classical Model
B. Keynesian Economics and the Keynesian Short-Run Aggregate Supply Curve
C. Output Determination Using Aggregate Demand and Aggregate Supply: Fixed versus Changing Price Levels in the Short Run
D. Shifts in the Aggregate Supply Curve
E. Consequences of Changes in Aggregate Demand
F. Explaining Short-Run Variations in Inflation

XII. Consumption, Real GDP, and the Multiplier
A. Some Simplifying Assumptions in a Keynesian Model
B. Determinants of Planned Consumption and Planned Saving
C. Determinants of Investment
D. Determining Equilibrium Real GDP
E. Keynesian Equilibrium with Government and the Foreign Sector Added
F. The Multiplier
G. How a Change in Real Autonomous Spending Affects Real GDP When the Price Level Can Change
H. The relationship Between Aggregate Demand and the C+I+G+X Curve\
XIII. Fiscal Policy
   A. Discretionary Fiscal Policy
   B. Possible Offsets to Fiscal Policy
   C. Discretionary Fiscal Policy in Practice: Coping with Time Lags
   D. Automatic Stabilizers
   E. What Do We Really Know About Fiscal Policy?

XIV. Deficit Spending and the Public Debt
   A. Public Deficits and Debts: Flows versus Stocks
   B. Government Finance: Spending More than Tax Collections
   C. Evaluating the Rising Public Debt
   D. Federal Budget Deficits in an Open Economy

XV. Money, Banking, and Central Banking
   A. The Functions of Money
   B. Properties of Money
   C. Defining Money
   D. Financial Intermediation and Banks
   E. Federal Deposit Insurance
   F. The Federal Reserve System: The U.S. Central Banks

XVI. Money Creation, the Demand for Money, and Monetary Policy
   A. Banks and Money
   B. The Relationship between Total Reserves and Total Deposits
   C. Money Expansion by the Banking System
   D. The Money Multiplier
   E. The Demand for Money
   F. How the Fed Influences Interest Rates

XVII. Domestic and International Dimensions of Monetary Policy
   A. Effects of an Increase in the Money Supply
   B. Open Economy Transmission of Monetary Policy
   C. Monetary Policy and Inflation
   D. Monetary Policy in Action: The Transmission Mechanism
   E. The Way Fed Policy is Currently Implemented
   F. Selecting the Federal Funds Rate Target

XVIII. Stabilization in an Integrated World Economy
   A. Active versus Passive Policymaking
   B. The Natural Rate of Unemployment
   C. Rational Expectations, the Policy Irrelevance Proposition, and Real Business Cycles
   D. Modern Approaches to Justifying Active Policymaking
   E. Is There a New Keynesian Phillips Curve?
   F. Summing Up: Economic Factors Favoring Active versus Passive Policymaking

XIX. Policies and Prospects for Global Economic Growth
   A. Labor Resources and Economic Growth
   B. Capital Goods and Economic Growth
C. Private International Financial Flows as a Source of Global Growth
D. International Institutions and Policies for Global Growth

XX. Comparative Advantage and the Open Economy
A. The worldwide Importance of International Trade
B. Why We Trade: Comparative Advantage and Mutual Gains from Exchange
C. The Relationship between Imports and Exports
D. International Competitiveness
E. Arguments against Free Trade
F. Ways to Restrict Foreign Trade
G. International Trade Organizations

Bibliography:


Boyes/Melvin; Economics (7th ed.). Houghton Mifflin 2008.


Krugman/Wells; Economics (2nd ed.). Worth 2009.


ANNUAL ASSESSMENT PLAN FOR ECON 2301:

Economics 2301 Principles of Macroeconomics Plan Statement #1

Intended Outcome #1. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that defines economics as the study of how people choose to use their scarce resources to attempt to satisfy their unlimited wants. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #2

Intended Outcome #2. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.
Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that a shift to the left, or decrease, in supply will cause an increase in price as long as demand remains constant. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #3

Intended Outcome #3. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that the consumer decides that goods and services are produced in a market system. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #4

Intended Outcome #4. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that the total output of the economy can be measured by the formula: GDP = Consumption + Investment + Government Spending + Net Exports. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #5

Intended Outcome #5. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that
addresses the concept that the unemployment rate in the United States is measured by dividing the number of unemployed by the number in the labor force. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #6

Intended Outcome #6. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that fiscal policy is policy directed toward government spending and taxation and accomplished by the Congress and the President. Faculty will evaluate students' answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #7

Intended Outcome #7. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that the three tools available for the Federal Reserve to control money supply are reserve requirement, discount rate, and open market operations. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #8

Intended Outcome #8. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that
addresses the concept that an increase in real GDP is economic growth. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #9

Intended Outcome #9. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that poverty is typically measured in absolute terms. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.

Economics 2301 Principles of Macroeconomics Plan Statement #10

Intended Outcome #10. Students taking Macroeconomics will display proficiency in macroeconomic concepts and principles.

Assessment Measures, Techniques, and Target Courses/Activities. Students taking Macroeconomics will complete a final examination with the embedded question that addresses the concept that the argument supporting globalization is that globalization has not resulted in a “race to the bottom,” in which labor practices suffer and environmental decay results. Faculty will evaluate students’ answers to the embedded questions.

Assessment Criteria/Expected Results. At least 60% of students will answer each embedded question correctly on the final examination.