

ECON 201: Principles of Macroeconomics
College of Charleston
Department of Economics
Fall 2022

Professor: Dr. Garfield O. Blake

Office Hours: by appointment online.

Section 201-07: Asynchronous Online

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Text and Class Materials: *Brief Principles of Macroeconomics 9th Edition* by N. Gregory Mankiw and **Publisher** Cengage Learning.

OAKS: materials such as online lectures, student handouts, tutorials, and quizzes will be posted on OAKS.

Prerequisites: ECON 200 and 3 credit hours of MATH are prerequisites for ECON 201

Course Description:

The foundation of aggregate economic analysis is presented, including identification of basic social goals, money, and credit systems, and theories of national income, employment, economic growth, and international interdependence

Course Objectives:

In this course, *Principles of Macroeconomics*, you will study the principles economists use to model the behavior of individual units (or participants), businesses, and governments and the ways in which they interact in a market economy. The course is designed to introduce classic macroeconomic issues such as growth, inflation, unemployment, interest rates, exchange rates, technological progress, and budget deficits. The course will provide a unified framework to address these issues and to study the impact of different policies, such as monetary and fiscal policies, on the aggregate behavior of individuals. These analytical tools will be used to understand the recent experience of the United States and other countries and to address how current policy initiatives affect their macroeconomic performance.

General Education Student Learning Outcomes:

Students apply social science concepts, models, and theories to explain human behavior, social interactions, and social institutions.

This learning outcome will be assessed on the final exam.

School of Business and Economics Learning Goals:

Global and Civic Responsibility: This course will help students to understand and creatively transform human culture and society by giving them the tools to ask questions, examine assumptions, exchange views with others, and become a better global citizen. Additionally, assignments will be given to help reinforce the distinctive character of the business program in its belief in the dignity of the human person, in the reality and importance of the common good, in subsidiarity and solidarity, in ownerships as stewardship, and in the responsibility of the environment.

Quantitative Fluency: This course will develop students' problem-solving strategies, teach students how to transform "data" into "information" and how to work collaboratively. They will demonstrate competency in logical reasoning and data analysis skills.

Demonstration of achievement will be through completion of tutorials, quizzes, mid-term exams, and final exam.

Course Content:

This course covers five main topics that you will need to understand in order to have a good grasp of macroeconomic theory:

- introduction to economics
- the data of macroeconomics
- the real economy in the long run
- money and prices in the long run
- international economics

The course starts by introducing the ten fundamental principles of economics. In a broad sense, the rest of the course is an elaboration of these ten principles. Chapter 3 shows how people and countries gain from trade (which is one of the ten principles discussed in Chapter 1). Next, the course introduces idea of the market, which is comprised of three concepts: *demand*, *supply* and *equilibrium*. In terms of the economic principles you will study here, markets are at the center of economic activity. But in order to be able to analyze why consumer demand changes when, for example, the price of a good changes or why a firm decides to produce a certain level of output, you need to investigate the theoretical underpinnings of both demand and supply.

Unit 2 introduces students to two vital statistics that economists use to monitor the macroeconomy – GDP and the consumer price index. Chapter 5 develops how economists measure production and income in the macroeconomy. The following chapter, Chapter 6, develops how economists measure the level of prices in the macroeconomy. Taken together, Chapter 5 concentrates on the *quantity* of output in the macroeconomy while Chapter 6 concentrates on the *price* of output in the macroeconomy.

Unit 3 introduces students to the real economy in the long run. It shows how saving and investment are coordinated by the loanable funds market. Within the framework of the loanable funds market, we are able to see the effects of taxes and government deficits on saving, investment, the accumulation of capital, and ultimately, the growth rate of output. Chapter 10 is to introduce students to the labor market. Students will see how economists measure the performance of the labor market using unemployment statistics. We will also address a number of sources of unemployment and some policies that the government might use to lower certain types of unemployment.

Unit 4 presents a two-chapter sequence dealing with money and prices in the long run. Chapter 11 describes what money is and develops how the Federal Reserve controls the quantity of money. Because the quantity of money influences the rate of inflation in the long run, the following chapter concentrates on the causes and costs of inflation. Students will find that, in the long run, there is a strong relationship between the growth rate of money and inflation. Students will also find that there are numerous costs to the economy from high inflation, but that there is not a consensus on the importance of these costs when inflation is moderate.

The purpose of Unit 5 is to develop the basic concepts macroeconomists use to study open economies. It addresses why a nation's net exports must equal its net capital outflow. It also addresses the concepts of the real and nominal exchange rate and develops a theory of exchange rate determination known as purchasing-power parity.

Course Structure:

Week 1 – Week 3 (Chapters 1, 3, and 4)

Unit 1 Introduction to Economics

- 1.1 The Ten Foundations of Economics
- 1.2 Model Building and Gains from Trade
- 1.3 The Market at Work: Supply and Demand
- 1.4 Applications of Supply and Demand Analysis
- 1.5 Conclusion

Week 4 and Week 5 (Chapter 5 and 6)

Unit 2 The Data of Macroeconomics

- 2.1 Introduction to Macroeconomics and Gross Domestic Product (GDP)
- 2.2 The Price level and Inflation

Week 6 and Week 7 (Chapter 8 and 10)

Unit 3 The Real Economy in the Long Run

- 3.1 Unemployment
- 3.2 Savings, Interest Rates, and the Market for Loanable Funds

Week 8 and Week 9 (Chapter 11 and 12)

Unit 4 Money and Prices in the Long Run

4.1 The Monetary System

4.1 Money Growth and Inflation

Week 10 – Week 14 (Chapter 13, 14, and 15)

5.1 Open-Economy Macroeconomics

5.2 A Macroeconomic Theory of the Open Economy

5.3 Aggregate Demand and Aggregate Supply

Learning Outcomes:

At the end of *Unit 1* students should be able to:

- Explain how people make decisions, how people interact, and how the economy as a whole works
- Explain and identify absolute advantage and comparative advantage
- Understand how comparative advantage explains the gains from trade
- Describe a competitive market and think about prices as an opportunity cost
- Identify and explain the factors that influences demand and supply
- Explain how demand and supply determine prices and quantities bought and sold
- Use the demand and supply model to make predictions about changes in prices and quantities

At the end of *Unit 2* students should understand:

- why an economy's total income equals its total expenditure
- how GDP is defined and calculated
- the breakdown of GDP into its four major components
- the distinction between real GDP and nominal GDP
- whether GDP is a good measure of economic well-being
- how the consumer price index (CPI) is constructed
- why the CPI is an imperfect measure of the cost of living
- how to compare the CPI and the GDP deflator as measures of the overall price level
- how to use the price index to compare dollar figures from different times
- the distinction between real and nominal interest rates

At the end of *Unit 3* students should understand:

- how the financial system is related to key macroeconomic variables
- the model of the supply and demand for loanable funds in financial markets
- how to use the loanable-funds model to analyze various government policies
- how government budget deficits affect the U.S. economy
- how unemployment is defined and calculated
- how unemployment can result from minimum-wage laws
- how unemployment results when firms choose to pay efficiency wages

At the end of *Unit 4* students should understand:

- what money is and what functions money has in the economy
- what the Federal Reserve System is
- how the banking system helps determine the supply of money
- how government budget deficits affect the U.S. economy
- what tools the Federal Reserve uses to alter the supply of money
- why inflation results from rapid growth in the money supply
- the meaning of the classical dichotomy and money neutrality
- why some countries print so much money that they experience hyperinflation
- how the nominal interest rate responds to the inflation rate
- the various costs that inflation imposes on society

At the end of *Unit 5* students should understand:

- how net exports measure the international flow of goods and services
- how net capital outflow measures the international flow of capital
- why net exports must always equal net foreign investment
- how saving, domestic investment, and net capital flow are related
- the meaning of the nominal exchange rate and the real exchange rate
- purchasing-power parity as a theory of how exchange rates are determined
- what determines the real interest rates and the real exchange rates
- how the markets for loanable funds and foreign currency-exchange rates are connected
- how government budget deficit affects exchange rate and trade balance
- how the model of aggregate demand (AD) and aggregate supply (AS) explains economic fluctuations
- the slope of the AD and AS curves

Course Requirements:

The course will consist of several homework assignments, several quizzes, two midterm examinations, and one comprehensive final examination. The course grade will be determined according to the following formula:

Quizzes 20%
Midterm I 25% (*end of week 5*)
Midterm II 25% (*end of week 9*)
Final Exam 30% (*end of week 14*)

Homework: Daily tutorial questions will be assigned. These tutorial questions will not be graded, but it is important that you do them each week, because exam and quiz problem(s) will be very similar or identical to one or more of the assigned tutorial problems.

NB. Consideration will be given to exceptional chat session participation in the case of borderline grades

Quizzes: We will have an online quiz at the end of every chapter. This makes a total of 12 quizzes. Your best 10 quiz grades will make up your quiz average. You will not be allowed to make up any quizzes; if you miss a quiz, it will be one of the quiz grades that are dropped when the quiz average is calculated. Quizzes will open up on **OAKS** at the start of each UNIT and remain open until we have completed the UNIT. For example, all quizzes (3 in total) in UNIT 1 will be opened on Tuesday August 23, 2022 and will be closed at midnight Sunday September 11, 2022. Once you start a quiz, you will have to complete it within the specified time frame.

Exams: There will be **NO MAKE-UP** for any of the midterm exams (*midterms will be open for an entire weekend*). If a student misses a midterm for any reason, the weight of that examination will be added to that of the final examination (missing Midterm I will make the final worth 55% of the course grade).

Important Dates:

Classes begin	August 23
Midterm I date	September 23
Midterm II date	October 21
Last day of class	December 5
Final Exam date	December 7 – 9

Grading Scale:

Letter Grade	Numeric Grade Range	Letter Grade	Numeric Grade Range
A	93 – 100	C	73 -76
A-	90 – 92	C-	70 – 72
B+	87 – 89	D+	67 – 69
B	83 – 86	D	63 – 66
B-	80 – 82	D-	60 – 62
C+	77 – 79	F	Below 60

Communication:

I may occasionally send e-mail to the class to make general announcements or alert you that I have posted something on OAKS. In order to receive these, you should make sure that you are officially registered for the course, that the university has your e-mail address recorded correctly and that you check your CC email address regularly (especially immediately before class) . I will generally respond to e-mail questions (sent to my UT email) within an hour, but will refer you to the tutorial discussion session if a lengthy explanation is necessary.

OAKS

OAKS, including Gradebook, will be used for this course throughout the semester to provide the syllabus and class materials and grades for each assignment, which will be regularly posted.

Reasonable Accommodation Policy:

The College will make reasonable accommodations for persons with documented disabilities. Students should apply at the Center for Disability Services/ SNAP, located on the first floor of the Lightsey Center, Suite 104; <http://disabilityservices.cofc.edu/>. Students approved for accommodations are responsible for notifying me as soon as possible and for contacting me one week before accommodation is needed.

Center for Student Learning:

I encourage you to utilize the Center for Student Learning's (CSL) academic support services for assistance in study strategies and course content. They offer tutoring, supplemental instruction, study skills appointments, and workshops. Students of all abilities have become more successful using these programs throughout their academic career, and the services are available to you at no additional cost. For more information regarding these services please visit the CSL website at <http://csl.cofc.edu> or call (843) 953-5635.

Honor Code:

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved. Incidents where the instructor determines the student's actions are related more to a misunderstanding will be handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student's file. Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student's transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board. Students should be aware that unauthorized collaboration—working together without permission—is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others' exams, fabricating data, and giving unauthorized assistance. Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor. Students can find the complete Honor Code and all related processes in the Student Handbook: [https://urldefense.com/v3/https://deanofstudents.cofc.edu/honorsystem/studenthandbook/;!!L56IHL45yBnxmH0BBg!qQ14aOi_LfAzY658esqZ0tj0buaSmYklJYJF1bw1hpFjQ9e5gIny2QFnRcGMog\\$](https://urldefense.com/v3/https://deanofstudents.cofc.edu/honorsystem/studenthandbook/;!!L56IHL45yBnxmH0BBg!qQ14aOi_LfAzY658esqZ0tj0buaSmYklJYJF1bw1hpFjQ9e5gIny2QFnRcGMog$)

Inclement Weather, Pandemic or Substantial Interruption of Instruction

If in-person classes are suspended, faculty will announce to their students a detailed plan for a change in modality to ensure the continuity of learning. All students must have access to a computer equipped with a web camera, microphone, and Internet access. Resources are available to provide students with these essential tools.

