

Principles of Macroeconomics (ECON1202)

INSTRUCTOR

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COURSE DESCRIPTION

This course provides an overview of the applications of macroeconomics. Starting with understanding the key indicators of GDP, unemployment, and inflation, we provide a framework for analyzing macroeconomic goals and policies. The history of economic thought is traced, from the early Classical thinkers through Keynes to today's variations on the theories. The Federal Reserve and the important role of monetary policy is examined. We keep our finger on the pulse of current events and the global nature of economics to provide an important backdrop to understanding the course material.

COURSE OBJECTIVES

Upon completion of this course, each learner will be able to:

- Understand the workings of the business cycle
- Evaluate the performance of the macroeconomy through various economic indicators, such as GDP, CPI, and employment data
- Articulate the role that government plays in the formation of macroeconomic policy.
- Differentiate between fiscal and monetary policy
- Understand the basics about the financial markets and the role of the banking system
- Discuss different theories, such as Keynesian, Classical, and Rational Expectations
- Understand the global nature of our economy
- Evaluate the role of government in terms of regulatory policy
- Understand the how and why of the recent economic crisis

TEXTBOOK

"Macroeconomics: Private and Public Choice" 15th ed, by Gwartney, Stroup. (13th or 14th ed can also be used)

ASSIGNMENTS AND GRADING

1. Chapter Quizzes (20%)

A short quiz will be required for each chapter reading assignment. These will consist of 6 multiple choice questions. Quizzes will be done on-line at HuskyCT. A total of 13 chapter quizzes will be given; your best 12 scores will count.

Chapter quizzes cannot be completed late.

2. Mid-term Exam (40%)

The exam will consist of multiple choice and essays. The essay portion will be completed prior to the exam as part of on-going, in-class group activities. Absences from class, therefore, may

directly impact your exam grade.

You will do 6, each graded on a 10-point scale; your best 5 will count toward your exam grade. The essays may be done in small groups (2 or 3 students) and are open book; some will be mathematical in nature. One make-up essay will be available to be completed as part of your mid-term test. Beyond that, there will be no make-up for missed in-class essays.

The multiple choice portion will be 50 questions, closed book, done individually. This test will be given on March 1; essay scores plus the March 1 test score will give you your mid-term exam grade.

If you miss the midterm test, you must make it up on the day of the final.

3. Final Exam (40%)

Same process as for the mid-term, covering the second half of the semester. The multiple choice portion of the final exam will be given on May 3

Academic dishonesty of any type will not be tolerated in this class. Students should refer to the Student Code (see section on Academic Integrity) as well as the policy posted on HuskyCT for specific guidelines.

Other related links: <http://www.ossa.uconn.edu/> and harassment at <http://www.ode.uconn.edu/> .

COURSE OUTLINE/ READINGS

1/18 Chapter 1 **The Economic Approach**

Key learnings from this chapter include: Scarcity and the need to make economic choices; opportunity cost; cost vs benefit analysis; economizing behavior and rational thinking; examples of positive and normative statements.

1/25 Chapter 7 **Taking the Nation's Economic Pulse: GDP**

Key learnings from this chapter include: What counts toward GDP; Expenditure and Cost-Income approaches; Real vs Nominal GDP

2/1 Chapter 8 **Economic Fluctuations, Unemployment, and Inflation**

Key learnings from this chapter include: Who is included, and excluded, from the labor force; Three types of unemployment; Unemployment rates U3 and U6; The concept of Full Employment; Inflation and the CPI measures

2/8 Chapter 9 **An Introduction to Basic Macroeconomic Markets**

Key learnings from this chapter include: Four key markets (Resources, Goods and services, Loanable funds, ForEx); Circular flow model; Aggregate Demand and Aggregate Supply; Equilibrium in the macroeconomy

2/15 Chapter 11 **Fiscal Policy: the Keynesian View and Historical Development**

Key learnings from this chapter include: Early Classical theory; The Great Depression and John Keynes; Keynesian view of fiscal policy; Automatic stabilizers

2/22 Chapter 12 **Fiscal Policy: Incentives and Secondary effects**

Key learnings from this chapter include: Budget deficits and the Crowding-out Effect; Early Classical and New Classical views on fiscal policy; Supply-side theory; the Phillips Curve

3/1 *Mid-term Exam*

3/8 Chapter 13 **Money and the Banking System**

Key learnings from this chapter include: How is Money defined; M1 and M2 measurements; How banks create money; the Federal Reserve

3/22 Chapter 14 **Monetary Policy**

Key learnings from this chapter include: The Federal Reserve's tools of Monetary Policy; How Monetary Policy can affect aggregate supply and demand; the quantity theory of money

3/29 Chapter 15 **Policy, Output, and Employment**

Key learnings from this chapter include: The Business Cycle over the past 100 years; Forecasting tools; Adaptive vs rational expectations

4/5 Chapter 5 **Difficult Cases for the Market and the Role of Government**

Key learnings from this chapter include: Market failures (demand-side and supply-side); externalities; non-rival and non-excludable; anti-trust regulations such as the Sherman Act and the Clayton Act; government failure

4/12 Chapter 16 **Gaining from International Trade**

Key learnings from this chapter include: Size and growth of the U.S. trade sector; the theories of absolute advantage and comparative advantage; how gains from specialization and trade translate into improved living standards; trade barriers and why countries adopt them

4/19 Chap 19 **International Finance and the Foreign Exchange Market**

Key learnings from this chapter include: Determinants of exchange rates; Historical overview of international trade and foreign exchange; Spot rates vs futures rates

4/26 Chapter 6 **Economics of Political Action**

Key learnings from this chapter include: Size and growth of the U.S. Government; how collective decision-making through the voting process differs from individual decision-making; when does the political process work well and when does it work poorly; special interests and rent-seeking; defining efficiency in the public sector

5/3 *Final Exam*