

COURSE TITLE: Principles of Macro Economics B 241

TEXT: Stephen Slavin, Macroeconomics, 5th ed., 1999

SUPPLEMENTARY READING: "21st century economy," Business Week Magazine, 1998; Jeremy Rifkin, "A Civil Society," Honolulu Weekly, July 3, 1996; "Impasse of Economics" from Fritjof Capra, The Turning Point; Cobb, Halstead, & Rowe, "If the GDP is Up, Why is America Down?," Atlantic Monthly, October 1995; Laurence Seidman, Economic Parables & Policies: Saving For America's Economic Future, Chs. 1 & 2, M.E. Sharpe, 1998; U.S. Congressman Billy Tauzin, "Taxing Consumption Instead of Income," Freedom.

I. COURSE DESCRIPTION: This course analyzes the structure and operation of the American economy as a whole. Specific topics analyzed include the determination of the level of aggregate output, employment, and price levels; business fluctuations; the monetary and fiscal systems; effects of monetary and fiscal policies on economic stability and growth; international trade and finance effects on macroeconomy.

II. COURSE OBJECTIVES: Unemployment, inflation, recession, interest rates, deficits, and so on, are recurring headlines in our daily newspapers and magazines. This introductory course in macroeconomics is designed to provide the foundation of economic-knowledge that every person should have to understand the economic issues that confront us in our daily lives. Specifically, the objectives are:

1. To introduce the student to the nature of economic problems and goals.
2. To familiarize the student with the economic concepts and analysis required to deal with economic issues.
3. To familiarize the student with economic philosophies and theories that shape our economic thinking.
4. To introduce the student to major economic institutions and to examine how these institutions affect our economy.
5. To analyze policy options to achieve our macro-economic goals of price level stability, sustainable & steady growth of : 3% in GDP annually, full employment, ecological balance, fair income distribution, and maintenance of economic freedom. Discuss whether current policies are adequate to achieve our economic goals.

Upon successful completion of the student should have developed the capacity to apply economic concepts to current public policy questions by demonstrating competence in the following topic areas central to a study of macroeconomics: a) economic resources, scarcity, opportunity cost, production possibilities, macroeconomic goals, models of economic institutional arrangements, productivity/unit costs and effects on global competitiveness; b) supply, demand, the market model; c) public/private sectors, income/wealth distribution criteria, market failure, taxation theories; d) national income accounting, gross domestic product, price indexing, business fluctuations, unemployment, inflation, fiscal policy, budget deficits/surpluses, national debt; e) money concept, Federal Reserve and banking system, credit expansion, monetary policy; f) macroeconomic problems and controversies--Keynesian and classical interpretations, difficulties in meeting macroeconomic goals without unacceptable trade-offs; g) global economics, G-7+, theory of free trade, comparative advantage concept, protectionism, international exchange rates.

III. MAJOR ASSIGNMENTS:

1. Students should read all chapters of Slavin textbook and pay special attention to topics that are specifically mentioned in the objectives portion of the outline above. Students will be using textbook as a resource to complete a comprehensive take-home examination in the final week of the class

2. For supplemental articles and book excerpts the student will read the assigned materials and turn in a series of written feedback assignments with the following parameters:

a) Fifteen questions for each assignment which have been triggered in the student's mind by the content of the reading together with specific page/paragraph involved.

Ten economics/business related terms with accent on macro-oriented concepts. Criterion of acceptance is: Is the term in Economics dictionary found on pp. 491 to 496? The term's exact location will be cited by page and paragraph and defined using textbook glossary.

c) Substantive 2page minimum response paper written by the student is required. Paper should succinctly summarize the main content of the reading and must be in the student's own "arrangement of words." Hopefully, the student will develop his or her own spirit of "free inquiry" as all preconceived ideas, prejudices, beliefs, theories, media hype about the range, content, substance of macroeconomics are put to the test in the light of continuously unfolding current information, knowledge, events, political/social/environmental agendas surrounding the subject matter.

d) Finally, the student will select a significant paragraph from the reading, cite its exact location by page and paragraph and write it out verbatim. This provides the instructor of some idea of what the student thinks is important.

e) All feedback papers must be turned in by 1999 which is the day that the final exam will be released. Re-writes of feedback papers permitted up to 1/2" & late papers will be graded more rigorously. Failure to complete feedback assignments by 1/2" may result in lower course grade and/or inability to access final exam needed to pass course successfully.

3. The student will complete to the best of his or her ability a comprehensive take-home exam. The test will consist of short essay questions, graphic displays of economic theories and models, and conceptual numerical problems based on contemporary economic theories. Students will prepare for the final exam by doing feedback assignments, studying textbook chapters, attending class regularly, taking good notes and participating in classroom "dry-run" sample question exercises, as well as interacting with the teacher on a one-to-one basis and interacting with other students in the class. Mastering the subject matter and developing teamwork skills needed in today's workplace are the anticipated outcomes of this exercise. Students are expected to become basically "graph-literate" by demonstrating an ability to read, to analyze, and to construct graphic displays of various economic scenarios. Students should bring graph paper to class as well as a calculator so they will be able to actively participate in classroom exercises designed to facilitate completion of final exam.

4. As part of the final exam, the student will select five articles from the world of newspapers, magazines, periodicals, computer networks, etc. that are datelined within the timeframe of this class and pertain to the macro topics mentioned in the course objectives above. The student will write a half-page

Introduction to /Review of entire outline for the class.
Origin of the word: economics; distinctions between macroeconomics and microeconomics; fundamental concept of scarcity--virtually unlimited human needs/wants/desires bumping up against "limited" resources at any point in time; basic approaches to scarcity in the past, present, and future.

Exponential population growth and implications for future economy; Maslow's hierarchy of needs; Fromm's perspective on basic human needs arising out of evolutionary context and implications for economics.

Discussion of economic modeling in general and specifically the production function, i.e., the relationship between inputs and outputs; variable and fixed inputs; law of diminishing returns; total product, average product, marginal product.

Implications of production curves for costs of production, prices, price levels, inflation/deflation, global competitiveness; importance of productivity in modern macroeconomics; production possibilities schedule and curve.

Is there a paradigm shift taking place in the American economy as we move from an Industrial-based system to an Information-based system? Is there a productivity revolution under way that allows the macro economy to expand without inflationary pressures for extended periods of time or is the late 1990's a fluke?
Video: The Third Wave (1984)

The Circular Flow of Economic Activity; profile of household sector by wealth and income distribution; profile of business sector by proprietorships, partnerships, and corporations; profile of government by taxing and spending priorities; profile of foreign sector by exports and imports.

Market System Basics: Supply, Demand, Equilibrium Price; basics of price elasticity of demand/supply; implications of price ceilings and price floors; drug war critique using economic principles.

National Income Modeling: GDP, NDP, NI, PI, DPI, PS; price indexing: calculation of federal budget deficit/surplus using recent data; mapping out the circular flow in national income accounting terms.

Review of national income accounting model; business fluctuations; unemployment, inflation; long-term trend for real GDP; Keynesian model; classical model; household consumption and saving; business investing; government taxing and spending; equilibrium GDP using Keynesian AE/AO approach and using classical AD/AS approach

Multiplier principle; Inflationary gaps; Output gaps; Fiscal policy approaches to offset gaps; budget deficits/surpluses and national debt. Video: America's Embattled Economy, Part 1: Macro History from 1920's thru 1965--Mini-lectures to explain details of video.

Concept of money, banking system, Federal Reserve, expansion of credit, monetary policy to counteract output gaps and inflationary gaps, equation of exchange. Continuation of video history of fiscal / monetary policy initiatives through 1986.

Fiscal and Monetary Policy from 1986 through 1999;
Global Economy; International Trade: Exports, Imports, Inter-
national Finance; Implications for Fiscal and Monetary Policy.

Discussion of modern job world: What do employer's expect of
today's workers? Video: Jobs Not What They Used To Be (1996)

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Critique of Economic growth concept: **Video--Living** on Islands
(1997)

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Workshop and Review of basic concepts

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Students turn in final exam and news articles. PAU!

synopsis of each article. Finally, the student will include a **copy of the** article showing date and source and with at least three economics/business related terms underlined.

GRADING:

"21st Century Economy," Business Week, 8/24-8/31, 1998
 Feedback Assignment #1/Rifkin's "A Civil Society" due /15pts
 Feedback Assignment #2/Capra's "Impasse of Econ." due /15pts
 Feedback Assignment #3/Atlantic Mo. "GDP Critique" due /15pts
 Feedback **Assignment** #4/Seidman's Econ. Parables & Pol. Chs. 1 a-2 and
"Taxing Consumption instead of Income" due /15pts
 Take home final exam released / due 30pts
 Current news articles/commentary due / 10pts

A=93+

B=85-92

C=77-84

D=65-76

F=64 and below

The expectations of Chaminade University and this lecturer are that students should attend class **regularly**, **arrive** on time, actively ~~take~~ notes, ask questions, listen attentively, not take excessively long breaks, not leave early, turn off pagers and beepers, and turn in **assignments** on time. Late feedback assignments will be graded somewhat more rigorously but will be accepted up to / when final exam will be released. The final exam and news articles must be turned in by /, the last day of class. If you are going to be absent during the semester and know about it ahead of time please let me know in person. If you are going to be absent and don't know about it ahead of time you may call me at 625-9994 and leave a message. Absences and partially attended classes will cost you up to 2 points per occurrence depending on circumstances. In no case is it acceptable to miss more than 2 classes total during the semester. In addition, attendance and classroom behavior will influence grading when final points are near the cusp between grade levels--good attendance will tend to move the grade up and bad attendance will move the grade down or not move it at all.