

Principles of Macroeconomics, Honors (ECON 2410)

<http://frank.mtsu.edu/~eaeff/241/macroeconomics.htm>

Class: BAS S337; 12:40PM-2:05PM MW

Office: BAS N308

Office Hours: MWR 10:00 to 12:00; or by appointment

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Objectives

- 1) Aid your development as a businessperson. You will learn enough about economic theory to understand how and why financial markets react to new information about macroeconomic variables such as interest rates, government spending, or consumer confidence.
- 2) Aid your development as a citizen. This course will provide you with some understanding about the U.S. economy, helping you to decide intelligently which economic policies best fit your own preferences regarding America's future.

Grading: I will give 13 quizzes, each with five multiple choice questions. A final exam, consisting of 35 slightly reworded questions from the quizzes, will be given on Monday, December 14, 12:30-2:30. Thus, there will be 65 quiz question (13 x 5) and 35 final exam questions, for a total of 100 questions. Each correctly answered question, on a quiz or the final exam, counts as one point toward your final grade. A score of 90 and above is an 'A'; 89 is 'B+'; 81 to 88 is 'B'; 80 is 'B-'; 79 is 'C+'; 71 to 78 is 'C'; 70 is 'C-'; 69 is 'D+'; 61-68 is 'D'; 60 is 'D-'; and 0 to 59 is 'F'. In addition, each student should turn in a five page, very well-written essay on the book by Steven D. Levitt. The essay is worth a maximum of 25 points. There will be no make-up quizzes and no curve—the essay should provide a sufficient buffer of points to accommodate those times when illness or other problems cause a student temporarily to perform poorly on quizzes. In a typical honors class, about three-quarters of the students will earn an 'A.'

Course Format: Principles of Macroeconomics is primarily a lecture course. All material covered on quizzes will be discussed in class. Students are responsible for obtaining the lecture notes from fellow students, should they miss class.

Course Materials: You are required to read *The Wall Street Journal*. I can obtain for you a subscription at the lowest possible student rate; you can share a subscription with one or more friends. For background reading, I recommend a free online textbook, by Timothy Taylor, available at <http://www.textbookmedia.com/> (registration required). Finally, you are required to read:

Levitt, Steven D., and Stephen J. Dubner. 2009. *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. Harper Perennial. ISBN: 0060731338.

Please purchase this book on-line.

Essay: *Freakonomics* looks at some interesting research in empirical economics. It's a readable book, and I expect you to read all of it. You must write an exactly five page (double-space, 11 point Times New Roman or Helvetica font, 1 inch margins on all sides) essay explaining succinctly what the book has to say. The five page requirement is intended to force you to condense your thoughts into a very concise and readable essay. A good essay is accurate, original, interesting, complete, and coherent.

Comments

- Keep this syllabus. If you have questions about course requirements, the syllabus is the best source.
- You need to come to every class. If you miss a class, you must make arrangements to obtain notes from another class member. Don't ask me to clarify a topic covered on a day that you failed to attend class. If you think you will miss more than three classes in a semester, please take the course with an instructor who closely follows a textbook, and who gives few exams.

- I have certain expectations about student behavior. Students should pay attention, should take notes, and should put some energy into learning economics. Blackberries, phones, laptops, MP3 players, etc. should not be accessed (or accessible) during class. Please, no sleeping, working on material from other classes, reading the paper, or gossiping during class. If you need to leave class early, please let me know before class starts.
- If, for any reason, you wish to drop the course, I will sign a drop slip. Please decide on your commitment to this course by the third quiz.
- I will make every reasonable effort to accommodate students with disabilities.
- It's become temptingly easy to copy material off the web, paste it into a paper, and turn it in as one's own work. Beware. The web has made it equally easy for faculty to check a suspicious paper for plagiarism. The penalties for plagiarism are harsh. Protect yourself by learning what constitutes plagiarism (see the course webpage). Avoid paraphrasing, cite all sources, and enclose all verbatim passages in quotes.
- "To retain Tennessee Education Lottery Scholarship eligibility, you must earn a cumulative TELS GPA of 2.75 after 24 attempted hours and a cumulative TELS GPA of 3.0 thereafter. A grade of C, D, F, or I in this class may negatively impact TELS eligibility. Dropping a class after 14 days may also impact eligibility. If you withdraw from this class and it results in an enrollment status of less than full time, you may lose eligibility for your lottery scholarship. For additional lottery scholarship rules please refer to your Lottery Statement of Understanding form, contact the MTSU financial aid office at 898-2830, or review lottery scholarship requirements on the Web at <http://scholarships.web.mtsu.edu/telsconteligibility.htm>."—official MTSU policy statement
- "Honors students are encouraged to begin planning their Honors thesis projects as soon as possible. To graduate from the Honors College, students must complete 20 hours of lower-division Honors coursework and 11 hours of upper-division Honors coursework, including the research project. For information about graduation requirements and the thesis project, please contact Michelle Arnold in HONR 227, at marnold@mtsu.edu or at extension #5464. We would like to speak with each student individually to determine your research interests and goals."—message from Honors College

Following is a *tentative* list of topics.

- 1) **What is Economics?**
 - a) Types of Economies: Reciprocity, Redistribution, and Markets
 - b) Differences between Microeconomics and Macroeconomics
 - i) Micro: deductive models assuming people motivated by self-interest
 - ii) Macro: circular flow diagram
- 2) **Supply and Demand**
 - a) Product Markets:
 - I. Determinants of Demand.
 - II. Determinants of Supply.
 - b) Government Interference with Markets: Excise Taxes; Price Ceilings and Price Floors
 - c) Labor Markets:
 - I. Determinants of Supply: Desirability of Occupations; Population Growth; Labor Force Participation Rate; Globalization.
 - II. Determinants of Demand: Efficiency and Price of Output.
 - III. Unemployment Rate and Tight Labor Markets.
 - d) Price Level and Inflation
 - e) Financial Markets (stocks, bonds, and foreign exchange)
- 3) **The Circular Flow Diagram**
 - a) Role of Markets: the link with Microeconomics
 - b) Measurement of Flows: Output (GDP), Expenditures, Income, and Factor Use
 - c) Aggregate Demand: $C+I+G+X-M$
 - d) Aggregate Supply: Factor Use and Productivity
 - e) Recessions and Expansions; Leading, Coincident, and Lagging Indicators
- 4) **Aggregate Demand and Business Cycles**
 - a) Fiscal Policy
 - i) Taxes and Government Expenditures
 - ii) Keynesian Multiplier
 - iii) Problems of Fiscal Policy (Lags and the nature of the political process)
 - b) Monetary Policy
 - i) Origins and functions of money
 - ii) Money Multiplier
 - iii) Federal Reserve System
 - iv) Quantity of Money Equation
 - v) Inflation and Interest Rates: the Fed tightrope
 - vi) The Autonomy of the Fed
- 5) **Aggregate Supply and Economic Growth**
 - a) Sources of Productivity Growth
 - i) Increases in quality of factors (human capital, technological change embodied in physical capital)
 - ii) Increases in quantity of capital (interest rates, FDI)
 - iii) Changes in institutional environment (Alfred Chandler, deregulation)
 - iv) Freer trade in product markets
 - b) Government policies to shift Aggregate Supply curve to right
 - i) Supply-Side vs Industrial Policy
 - ii) Taxes and Subsidies
 - a) Evaluation of some current tax policy
 - b) Evaluation of some current spending policy
 - c) What motivates government? (Public choice vs. Cost-benefit)