

ECN220 / ECN305 PRINCIPLES OF MACROECONOMICS

Instructor: Takashi YAMAMOTO, PhD
Office hours: Noon-13:00 on M through TH
Semester: Spring

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Class hours: M & W 15:30-16:45

DESCRIPTION: This course will provide principles of macroeconomics. When economic news appears on the front page of our daily newspaper, we are most likely read about some macroeconomic development in the national or world economy. In this course, we study how overall economy works. Students will be introduced to some of the major concepts of macroeconomics such as gross domestic product (GDP), inflation, unemployment, and economic growth, by studying basic theories used to interpret and understand macroeconomic events. Students will also learn to use the theories to consider a variety of public policy issues, such as fiscal and monetary policies, and policies for economic stabilization and growth.

By actively participating in this course, students are expected to obtain (i) about 50 key concepts of macroeconomics, (ii) the basic methodology and models in macroeconomics and their application to hypothetical situations, and (iii) the ability to analyze real-world economic issues and macroeconomic policies.

STUDY MATERIALS:

<Textbooks>

- **Baumol, William J. and Alan Blinder. Macroeconomics: Principles and Policy, 11th Edition.** Cengage South-Western, 2009.

You do not have to purchase the 11th edition if you already have the 10th edition of the textbook. Most of the contexts in both books are very similar.

<Study Guides>

- **Study Guide for Baumol & Blinder's Macroeconomics: Principles and Policy, 11th Edition.** Cengage South-Western, 2009.
- Go to the website: <http://academic.cengage.com/economics/baumol>, find your textbook, and click "Student: Companion Site." The website has various information including links and on-line sample exam questions.
- These study guides are not mandatory, but many students reported that the study guides have been helpful in understanding difficult concepts and in preparing for homework assignments and exams.

<Reference books, sources of readings and other information>

- Handouts on other economic issues will be delivered in class, when necessary.
- Go to <http://economics.about.com/od/economicsglossary/> for the Glossary of Economics Terms

ASSESSMENT: Student achievement of the stated course Objectives will be measured in terms of student performance in the following areas: (i) 1st Examination (20%), (ii) 2nd Examination (30%), and (iii) Final Examination (40%), and (iv) Class participation (10%). Students *may* improve the overall scores by completing extra assignments.

POLICIES: All exams and assignments must be completed to receive a passing grade for this course. Acts of plagiarism or other forms academic dishonesty will be dealt with harshly. See <http://en.wikipedia.org/wiki/Plagiarism> for more information.

COURSE FORMAT AND ACTIVITIES: This course consists of many lectures. Considering the class size, however, each student will have good opportunities to participate in the class actively. Lively discussion on real-world economic issues is expected. Students are encouraged and welcomed to ask questions and / or to request explanations to the instructor. There may be one or two lectures by guests so that students have opportunities to understand how economic principles are exercised.

SCHEDULE:

<Week 1>

Theme/Theories/Key concepts: *aggregate demand, aggregate supply, inflation, deflation, recession, gross domestic product (GDP), nominal vs. real GDP*

Textbook: Chapter 5 – An Introduction to Macroeconomics

<Week 2>

Theme/Theories/Key concepts: *labor productivity, potential GDP, labor force, unemployment rate, frictional unemployment, structural unemployment, cyclical unemployment, full employment, purchasing power, expected inflation rate, real vs. nominal interest rates, CPI*

Textbook: Chapter 6 – The Goals of Macroeconomic Policy

<Week 3>

Theme/Theories/Key concepts: *capital, human capital, investment, property rights, invention, innovation, R&D*

Textbook: Chapter 7 – Economic Growth: Theory and Policy

<Week 4>

Theme/Theories/Key concepts: *national income accounting, disposable income, consumption function, marginal propensity to consume (MPC)*

Textbook: Chapter 8 – Aggregate Demand and the Powerful Consumer

<Week 5>

Review and the 1st Examination

<Week 6>

Theme/Theories/Key concepts: *aggregate demand curve, equilibrium GDP, induced investment, recessionary gap, inflationary gap, multiplier, induced increase in consumption, autonomous increase in consumption*

Textbook: Chapter 9 – Demand-side Equilibrium: Unemployment or Inflation?

<Week 7>

Theme/Theories/Key concepts: *aggregate supply curve, self-correcting mechanism, stagflation, supply shock*

Textbook: Chapter 10 – Bringing in the Supply-side: Unemployment **and** Inflation?

<Week 8>

Theme/Theories/Key concepts: *expansionary fiscal policy, contractionary fiscal policy, automatic stabilizer, supply-side tax cuts*

Textbook: Chapter 11 – Managing Aggregate Demand: Fiscal Policy

<Week 9>

Theme/Theories/Key concepts: *monetary policy, central bank, open-market operation, bank reserves, money demand, money supply, expansionary monetary policy, contractionary monetary policy*

Textbook: Chapter 12 – Money and the Banking System

Chapter 13 – Managing Aggregate Demand: Monetary Policy

<Week 10>

Review and the 2nd Examination

<Week 11>

Theme/Theories/Key concepts: *velocity, quantity theory of money, monetarism, controlling money supply vs. controlling interest rate, rules vs. discretionary policy*

Textbook: Chapter 14 – The Debate over Monetary and Fiscal Policy

<Week 12>

Theme/Theories/Key concepts: *policy mix, budget deficit, budget surplus, monetizing the deficit, crowding out, crowding in, national debt burden*

Textbook: Chapter 15 – Budget Deficits in the Short and Long Run

<Week 13>

<Week 14>

Theme/Theories/Key concepts: *Phillips curve, stagflation, self-correcting mechanism, rational expectation, indexing*

Textbook: Chapter 16 – The Trade-off Between Inflation and Unemployment

<Week 15>

Review and the Final Examination