

# Course Outline

**1. Course Number and Name:** Econ4102: Macroeconomics

**Credit:** 3

**2. Course Description:** Macroeconomics seeks to understand and predict the behavior of the economy as a whole, in light of concerns about business cycle fluctuations and economic growth. It serves as a theoretical framework for analyzing the interaction of aggregate output, prices, employment, and productivity. This line of inquiry, which began during the Great Depression, has drawn the attention of economic scholars and researchers who hope to identify patterns in consumption and investment decisions so that economic stability and prosperity may be provided for all. Because government intervention is used to influence macroeconomic variables, the subject includes a strong public policy component.

**3. Course Goals:** A rigorous treatment of macroeconomic fundamentals equips the student to evaluate policy proposals with an eye towards their comprehensive and long-term effects. Students who go on to become leaders in the policy arena will be able to identify areas where legislation can be effective at improving economic performance and will also be able to articulate the limitations of government initiatives.

**4. Course Outcomes:** The course aims to familiarize the student with measures of macroeconomic performance, to examine the underlying causes of fluctuations in output, and to present the fiscal and monetary policy tools used to address inflation and unemployment.

Upon completing the course, the student will be able to:

1. Articulate the importance of opportunity cost in decision making
2. Identify the benefits arising from a freely negotiated trade
3. Identify the sources of market failure
4. Identify the significant national income accounts
5. Describe the phenomenon of the business cycle
6. Account for the behavior of inflation and unemployment throughout different phases of the business cycle
7. Outline Keynes' argument about the causes of the Great Depression

8. Articulate the supply-side effects of discretionary fiscal policy
9. Explain the impact of monetary policy on interest rates, output, and employment
10. Debate the nature of modern stabilization policy
11. Identify the major sources of economic growth
12. Explain the effect of creative destruction on the economic growth process

## **5. Course Concepts**

1. Taxation
2. National Income Accounts
3. Business Cycle Fluctuations
4. The Great Depression
5. Discretionary Fiscal Policy
6. Monetary Policy
7. Economic Growth
8. Creative Destruction

### **Required Text:**

Gwartney, James D., Richard L. Stroup, Russell S. Sobel, and David A. Macpherson, *Economics: Private and Public Choice* (10th ed., 2003.) Mason, Ohio: Southwestern, a division of Thomson Learning. ISBN: 0-03-03439804. And, see: [www.swcollege.com](http://www.swcollege.com)

### **Recommended Reading:**

In addition to the text, there is a supplemental reading list in the Yorktown University's Supply Side Economics Library. As a further resource, five hours of recorded lectures may be accessed at:

[http://www.yorktownpatriot.com/article\\_22.shtml](http://www.yorktownpatriot.com/article_22.shtml)

# Course Syllabus

**Course Number:** Econ4102

**Course Name:** Macroeconomics

**Faculty:** Paul Prentice

## **Class Participation and Performance Requirements:**

Students are ultimately responsible for participating in the course through the following academic activities: uploading assignments, posting to discussion topics, responding to instructor inquiries, submitting written papers and taking quizzes and exams. Students are expected to be involved in ongoing instructional activities based on the recommended schedule for course completion as detailed in the syllabus. In order to actively participate in a course, students must make contact with their faculty mentor on a regular basis through one of the following methods:

- Uploading weekly written discussion topic responses into the Discussion section of the course delivery system for grading by your Instructor.
- Participation in discussion threads with the instructor and other students.
- Posting of other assignments as identified by the course instructor.

## **Assessments:**

Assessment of Coursework will be based on performance on the following:

**(1) Quizzes:** Self-evaluation quizzes are found in the Gwartney XTRA! CD-ROM which comes with the required textbook. They are recommended as tools for the student to use as guidelines in preparing for graded assignments. Quizzes on which student performance will be assessed are located in the "Quiz" section of the Home Page for this course. There are 2 quizzes and their total value will be 10% of the semester grade. Scores on Quizzes are automatically recorded in the student Grade Book.

**(2) Discussion Topics:** Online discussion topics are designed to provoke thought on your part and to demonstrate that macroeconomic theory is of great relevance in understanding the real world and the public policies used to govern it. Your participation in online discussions will count as 20% of your cumulative grade. There are two questions to which you can respond in each session. Responses should be no less than 500 words.

**(3) Term Paper:** There is much to be said for the ability to string a noun and a verb together and in so doing convey to a reader what you in fact intend to express. Winston Churchill, when an elder statesman, returned to his old school for a visit. One of the boys there asked him: "But Mr. Churchill, what did you learn at Harrow when you were here that did you any good?" Churchill allegedly replied: "The most important thing I learned while at school, and something for which I shall be forever grateful, is to write a decent sentence in the English language."

To help you refine that skill, you will write a paper of 4-5 pages (double-spaced), not exceeding 2000 words in length. A list of possible topics is provided below. This will count as 20% of your overall course grade.

**Permissible Paper Topics:**

It is frequently argued, particularly by those with an interest in the environment, that GNP and GDP are highly flawed measures of economic output and well-being since these conventional measures fail to include the environmental damage that results from the process of producing goods for the marketplace. Discuss.

Investigate the nature of public goods, how they differ from private goods, and the case for or against governmental provision of public goods.

"Businesses are concerned only about profits and not people." Discuss, noting particularly the function of profits in a market economy.

Effects of outsourcing. In addressing this topic, it should be noted that a 1992 American presidential candidate, Ross Perot, argued that if NAFTA passed, there would be a "great sucking sound" as jobs were re-located from the United States to Mexico. Comment on this argument made by Perot along with current statements that jobs are flowing overseas to other countries.

Automation and unemployment

What supply-side economics is, and how it differs from the Keynesian emphasis on fiscal policy

How has the perception of a trade-off between inflation and unemployment evolved since the 1960's?

Whether private property is a necessary condition for a robust economy.

It is frequently said that monetary policy is less effective during downturns of the business cycle, e.g. during recessions or depressions, than is fiscal policy. Is this correct? Why? And, if so, does the converse hold? In other

words, is monetary policy more effective than fiscal policy during upturns of the business cycle?

A commonly invoked argument for governmental subsidies to induce firms to locate in a particular state or county is that the governmental subsidy will lead to desirable "multiplier" effects. That is, the expenditures to induce the firm to locate in an area are justified because the revenues expended by the firm on wages, supplies, and so on will have a multiplicative effect on local employment and tax revenues. Discuss this assertion, noting the nature of the 'multiplier effect' and its assumptions.

Other topics are permissible, but you should contact the instructor prior to beginning your paper if you wish to pursue an area of research other than those listed above.

**(4) Mid-term Exam:**

A mid-term exam counting for 20% of your overall course grade will be given after Session 5.

**(5) Final Exam:**

A Final Exam will be assigned at the end of Session 10 and is located in "Assignments." This examination will be an open book comprehensive examination covering all the topics addressed in the course from the date of the Mid-term. The Final Exam will count as 20% of your comprehensive course mark.

**Assessment percentages/Grades**

- 2 Quizzes. 10%
- Contributions to Discussions. 20%
- Term Paper 20%
- Mid term 20%
- Final 30%

Yorktown University official grade and writing rubrics are located at [http://www.yorktownuniversity.com/grad\\_rubrics.cfm](http://www.yorktownuniversity.com/grad_rubrics.cfm)

Academic Integrity

Available both in the student and faculty handbooks

**Recommended Schedule for Course Completion**

## **Session 1: Fundamentals of Economic Principles**

### **Assignment**

Required reading:  
Chapters 1, 2, and 3

### **Discussion Questions**

- a. How does scarcity differ from poverty?
- b. Give an example of non-monetary incentive that is used to encourage behavior that will promote civic well-being and explain how it will do so and what other spin-off good effects it may have.

**Learning Outcomes: 4.1, 4.2**

## **Session 2: Applications of Supply and Demand with Regard to Public Policy**

### **Assignment**

Required reading:  
Chapters 4 and 5

### **Discussion Questions**

- a. What type of evidence would you gather to determine whether the relationship predicted by the Laffer Curve holds true?
- b. Online auction websites (such as e-Bay) create markets between individuals separated by distance. What types of transactions costs arise when buyer and seller are not in close geographic proximity?

**Learning Outcomes: 4.3**

## **Session 3: Measures of Macroeconomic Performance**

### **Assignment**

Required reading:  
Chapters 7 and 8

### **Discussion Questions**

- a. In what ways does GDP fail to measure true economic welfare?
- b. Provide an example of a change that would lead to structural unemployment.

**Learning Outcomes: 4.4**

## **Session 4: Understanding Fluctuations in Aggregate Output**

### **Assignment**

Required reading

## Chapter 9

### Discussion Questions

- a. How would your purchasing behavior and patterns change if you anticipated that the rate of inflation would double over the next year?
- b. If both wages and prices rise when there are periods of inflation, how can there be any losers from inflation?

**Learning Outcomes:** 4.4

### Session 5: Applications of the Basic Macroeconomic Model

#### Assignment

Required reading:  
Chapter 10

### Mid-term Examination

#### Discussion Questions

- a. Which aspects of your consumption spending would change if there were a dramatic increase in real interest rates?
- b. The vertical slope of the long-run aggregate supply curve suggests that potential output is independent of the price level. What factors in the economy determine the level of potential output?

**Learning Outcomes:** 4.5, 4.6

### Session 6: The Keynesian Foundations

#### Assignment

Required reading  
Chapters 11 and 12

#### Discussion Questions

- a. The Keynesian framework asserts that it is possible for the economy to reach equilibrium at less than the full-employment level of output. Why is this assertion at odds with the supply-and-demand model of the labor market?
- b. If a supply-side tax cut resulted in an effective boost to worker productivity, how would you expect the long-term trajectory of the economy to be different?

**Learning Outcomes:** 4.7, 4.8

### Session 7: Money and the Banking System

**Assignment**

Required reading  
Chapter 13

**Discussion Questions**

- a. Why is it important for the Federal Reserve to be independent of the U.S. Congress and the President?
- b. Does an increase in the money supply make the country wealthier?

**Learning Outcomes:** 4.9

**Session 8: Monetary Policy****Assignment**

Required reading  
Chapter 14

**Discussion Questions**

- a. Is it correct to say that the effects of monetary policy are more important in the short run than they are in the long run?
- b. If the Fed uses an expansionary monetary policy to offset a recession, how would the immediate effects of such an action be different from the effects of a Keynesian-type tax cut?

**Learning Outcomes:** 4.9

**Session 9: Stabilization Policy, Output, and Employment****Assignment**

Required reading  
Chapter 15

**Discussion Questions**

- a. How has the effectiveness of macroeconomic policy been altered by its implementation throughout the years following World War II?
- b. Which institution has the more important role in promoting economic stability in the United States: Congress or the Federal Reserve?

**Learning Outcomes:** 4.10

**Session 10: Economic Growth****Assignment**

Required reading  
Chapter 16

**Discussion Questions**

- a. What cautionary advice might you offer an investor considering the placement of funds in enterprises based in less developed countries?
- b. What are the key factors in Ireland's successful economic turnaround?

**Learning Outcomes:** 4.11, 4.12

**Term Paper Due**

**Final Examination**