LOYOLA UNIVERSITY CHICAGO QUINLAN SCHOOL of BUSINESS

INTRO MACROECONOMICS (ECON 202)

Schreiber Center • 16 E. Pearson St.
Water Tower Campus • Chicago, IL 60611
LUC.edu/Quinlan

Introductory Macroeconomics
INTRO MACROECONOMICS : ECON 202 -002
SPRING 2018 : TUES , THURS 10:00-11:15
MUNDELIN, RM 514

Instructor: Dr. Roy Gobin
Email: rgobin@luc.edu
Office Phone : 773-508-2063
Office Location: Cudhay Science,Room 415
Office Hours: Tuesday, Thursday 11:20 -12:55pm; Wed :3:15-4

Course Description:
Requirement: ANTH 100, PLSC 102, PSYC 100 or SOCL 101 for students admitted to Loyola University for Fall 2012 or later. No requirement for students admitted to Loyola prior to Fall 2012 or those with a declared major or minor in the Department of Anthropology, Department of Criminal Justice, Department of Economics, Department of Psychology, Department of Political Science, the Department of Sociology, Human Services or the School of Nursing.

This course is an introduction to national product, its components, the impact of money, monetary and fiscal policy on the real sectors in an open economy and on business fluctuations.

Outcome: The students will be able to think critically about the economic environment of the nation and to measure growth, unemployment, inflation, fiscal and monetary policies of the government, to ultimately understand economic stability and the welfare of the individual citizen.

Course Overview:
The Principles of Macroeconomics studies the economic environment of the nation and measures growth, unemployment, inflation, fiscal and monetary policies of the government to ultimately understand economic stability and the welfare of the individual citizen. The course starts with the concept of opportunity costs of macro behavior of the government in a country. It examines the determinants of growth in a country in terms of factors and trade and the production possibility frontier. The universally accepted definition of growth is by GDP (Gross Domestic Product), which this course tracks throughout the 20th century economic history. This course is built on the Depression experience and the policy proposals which were installed to remedy the crisis during the New Deal era and beyond. The pedagogy is a combination of analytical formulas, graphs, theory and their application to current and historical business cycles.

Course Objectives and Learning Outcomes
For a more detailed description of course objective and learning outcomes, please see end section.
Required Materials
- Paul Krugman and Robin Wells : Macroeconomics 4th ed. (Worth 2015)

Suggested Supplementary Resources (OPTIONAL – if necessary)
- Will provide titles, authors, editions, ISBN numbers, and where materials may be accessed

Course Requirements and Grading Criteria
There will be two (2) hourly examinations and a final. Dates and course weights of the exams are as follows:

Exam 1...........FEB 13	(30%)
Exam 2............MARCH 27	(30%)

Final...............TUES, MAY 1 Time : 1-3 (40%)

Course Grading Scale		Loyola University Grade Weights	
A	90%	A	4.00
A-	88	A-	3.67
B+	85	B+	3.33
B	80	B	3.00
B-	78	B-	2.67
C+	75	C+	2.33
C	70	C	2.00
C-	65	C-	1.67

Quinlan School of Business Policies

Attendance
Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

Attendance will not affect grades, but students are responsible for and will be tested on **ALL** material covered in class.

Make-Up Examinations/Assignments
Loyola University academic policy provides that tests or examinations may be given during the semester or summer sessions as often as deemed advisable by the instructor. Because Quinlan faculty believe examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. **Make-up examinations are discouraged**. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

Special Requests, Circumstances, or Instructor Policies
No electronic devices can be used during regular exams, mid-term exam and final exam.

Academic Integrity
All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood…Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:
http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf

Topic & Assignment/Reading

Topic	Assignment/Reading
The Nature of Economics: Scarcity and Choice	Ch. 1 and Ch.2 and Appendix to Ch.2
Introduction to Price System: Demand and Supply Analysis	Ch. 3
Macroeconomic Concepts and Issues in: A: The Short –Run: The Business Cycle Concepts: Potential GDP, Unemployment, Inflation, Stagflation B : Long run: Economic Growth	Ch 6 ,Ch. 8
National Income Concepts and Measurement	Ch :7 ,
Economic Growth Models	Ch : 9
Keynesian Expenditure Model :Equilibrium Output; Multiplier Effects Fiscal Policy	Ch 11;Ch 12 pp 353,372,375
Budgetary Deficits and Surpluses; National Debt, Crowding Out	Ch 13 and Lecture notes
Aggregate Demand and Aggregate Supply	Ch :12
Money Supply and the Federal Reserve: Functions of and Definitions of Money Money creation, Functions of the Federal Reserve	Ch. 14 and Lecture Notes
MONETARY POLICY and Policy lags: Monetary Sector Equilibrium: Money Demand, Money Supply	CH 15 ;Lecture notes
Monetarism: Quantity Theory of Money ,Neutrality of Money	Ch 18 :pp546-549
Aggregate Demand and Aggregate Supply	Chs. 12,
Phillips Curve analysis	Ch 16 pp 486-487;494- 496;500-01
New Keynesians, New Classicals ,Rational Expectations, Supply Side Economics	Ch: 18
International Monetary System: Balance of payments, Exchange Rate Systems and Impact on Policies, Global Debt Issues	Ch. 19

Please note: This class may occasionally deviate from the course outlined above. The instructor reserves the right to make changes as needed to the course syllabus.

Principles of Macroeconomics -- ECONOMICS 202

The Principles of Macroeconomics studies the economic environment of the nation and measures growth, unemployment, inflation, fiscal and monetary policies of the government to ultimately understand economic stability and the welfare of the individual citizen. The course starts with the concept of opportunity costs of macro behavior of the government in a country. It examines the determinants of growth in a country in terms of factors and trade and the production possibility frontier. The universally accepted definition of growth is by GDP (Gross Domestic Product), which this course tracks throughout the 20th century economic history. This course is built on the Depression experience and the policy proposals which were installed to remedy the crisis during the New Deal era and beyond. The pedagogy is a combination of analytical formulas, graphs, theory and their application to current and historical business cycles.

Knowledge Area(s) satisfied:	Societal and Cultural Knowledge
Skill(s) Developed:	Critical Thinking Skills and Dispositions, Quantitative and Qualitative Analysis and Research Methods
Values Requirement(s) satisfied:	

<u>Learning Objectives:</u>

Knowledge Area (Societal and Cultural Knowledge):
The following specific competencies are addressed:
"Demonstrate an understanding of the relationships among cultural, economic, political, and social forces, and their impact on human behavior."

The course covers many topics which show how societies and individuals have historically behaved under periods of economic stress. Hyperinflation in 1920s Germany, unemployment during the Great Depression, stagflation of 1970s are standard case studies to explain the analytical tools. Tax cuts and increases, easy and tight monetary policies, restricted and free trade policies are discussed with respect to growth, business cycles and the individual citizen. This course addresses many questions and anxieties the students have about the economy in a globalized world. Migration of jobs, migration of people, technological change and productivity are all parts of this course's discourse.

"Demonstrate an understanding of the processes and components of societies, states, and cultures."

This course is an excellent way for the students to understand how news announcements they hear every day such as 'new housing starts', 'jobless claims', 'changes in inventories', 'first quarter sales' are important and make sense because they are forward proxies of the forecasted growth rate, employment and price stability. They learn about the opportunity costs of wars and examine the burdens of high inflation and unemployment. They study how the 20th century business cycles shaped the societies and they gain an understanding of the debt crisis of emerging markets and learn to watch for indicators which predict crisis in economies and societies.

"Differentiate among historical and contemporary perspectives about the world with a view to fashioning a humane and just world."

This course is an excellent way to study the damages of wars and crisis by examining factors that produce economic stability/instability in countries. In a way, the course teaches students about what the governments 'should not do' by teaching them good fiscal and monetary discipline. Twentieth century policies of unemployment/inflation and growth trade offs (such as the Philips curve or Okun's Law) are taught and then the present day current public policies are evaluated.

Skills (Critical Thinking Skills and Dispositions):
The class will have lectures as well as ongoing discussions to understand economic theories and to apply them to everyday economic behavior. Students are encouraged to think through and evaluate policies critically to assess their impact on individuals and the society.

The students will be able to:
"Analyze relationships among statements, questions, concepts, descriptions, or other forms of representation intended to express beliefs, judgments, experience, reasons, information, or opinions."

The course uses analytical and case based reasoning to discuss behavior of consumers and of government and the resulting impact on individuals, on employment, on monetary and financial stability. Students are taught to calculate gross domestic product and to reduce it in such a form to be able to forecast household spending. They are taught to evaluate the differences between cost-push and demand-pull inflation, between structural and cyclical employment, between real and current GDP, between averages and first derivatives, between different forms of monetary expansion.

"Evaluate the strengths and weaknesses of varying points of view."

The important controversy in Economics between the Keynesians and Monetarists are well known even in the popular media. The perceptions of major events and behaviors lead to very different policy conclusions for the economists in these two schools. Students are taught the critical skills of first measuring economic activity or changes and then are asked to understand and evaluate conflicting economic policies by different schools of thought in economics. For example, on the Depression experience and the New Deal, the Keynesian hypothesis postulates that reduction of investment by the private sector and the failure of the banking system led to the crisis where as Monetarists argue that the real money supply fell drastically to cause the Depression. Different policy proposals arise out of each school's point of view, where the Keynesians argue that the government intervention (New Deal) was the right answer and the Monetarist argue that an economy should watch out for the supply of real money balances in the economy and keep it stable without government intervention. Students are asked to plot and show how these policies differ on the resulting GDP by using graphical and equation analysis. Problem solving, inquiry and decision-making are very much a part of Macroeconomics.

"Generate new ideas, hypotheses, opinions, theories, questions, and proposals; and develop strategies for seeking and synthesizing information to support an argument, make a decision, or resolve a problem."

Macroeconomics is an ever-evolving course for real world dynamics necessitates validation by existing theory or by the generation of new theories. Seeking and synthesizing information is crucial to the course. Established theories are tested continually to resolve macroeconomic crisis in a world of rising oil prices, variable interest rates and exchange rates, recessions, bank or financial market crisis.

Skills (Quantitative and Qualitative Analysis and Research Methods):
This course is heavily dependent on linear and non-linear graphs and equations on aggregate supply, aggregate demand, consumption function, investment function, and money supply. The course has no prerequisite and the students are taught to interpret and manipulate graphs in the very first chapter so that they have concepts of linearity/nonlinearity, slope, intercept, the first and the second derivative. The course relies on analyzing situations and predictions by dynamic use of graphs by students. There is also reliance on numerical solutions of simple equations for discovering GDP versus the inflation rate in the economy. The course also develops and uses two multiplier equations, one for fiscal expansion, the other for monetary policy where the students are asked to forecast changes in GDP with changes in autonomous expenditures or changes in the money supply when the high-powered money (monetary base) changes.

The specific competencies addressed are: "Represent and interpret quantitative information symbolically, graphically, numerically, verbally, and in written form."

The students are taught to reduce complex economic behavior of the macro economy to GDP accounting and therefore isolate the most important determinants of GDP. The students then study general equilibrium through graphs (aggregate demand, aggregate supply models and consumer spending equations) and then go into specific components of aggregate demand. Equations as well as graphs are employed in the spending-saving macro behaviors and in predicting the fiscal policy changes by use of the equations of fiscal multipliers and measuring money supply changes through the money multiplier.

"Recognize the limitations of mathematical and statistical models."

The equations and graphs used in this case are much simplified. Realizing that forecasting macro models such as the Wharton model use more than 3,000 equations, one can only use a simple modified version to teach macroeconomics to students with no prerequisites. Students are made aware of the limitations of the modeling used in the class but are reminded that amplifications of the equations give better predictions but the directions of the forecasts are the same as the simple modeling. These models are good for prediction of general directions for teaching purposes (more accurate models with better prediction are introduced in advanced classes).
"Recognize theories that underlie qualitative research."

The course emphasizes the 20th century economic history. It examines how economists like Keynes, who studied the economy of Germany of 1920s, formulated the first macro model for evaluation of and prediction of business cycles. It discusses how Nobel Prize laureates in macroeconomics studied empirical economic phenomena to predict a formal theoretical settings or the macro economy.