

Principles of Macroeconomics

Instructor Information

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Office Hours: TTR 11.00am – 12.30 pm or by appointment. Send me an email if you cannot make it to my office hours to set an appointment. Walk-ins are welcome.

Course Information

Meeting Place: SHB186 TTR 12.30 -1.50 pm

Course Number: ECON 2301-06

Semester: Spring 2018

Credit Hours: 3

Tutoring

There is free tutoring available in room SHB-108 Monday to Friday from 11.00am to 4.30 pm. Tutoring is done on a first-come first-serve basis.

Course Content

Macroeconomics is the study of the aggregate economic activity. The main idea of the course is to provide you with the tools and knowledge to better understand the main indicators and institutions that shape the economic debate and thinking. The course will teach you applied techniques that you can use for many years.

At the end of the semester you will be able to understand:

- 1) How economic well-being is measured for the whole economy. We will look at the two most important measures: GDP and Unemployment.
- 2) The determinants of economic growth. In order to make the economy grow faster we need to know what determines its growth.
- 3) The functions of Federal Reserve and its impact on the economy. The Federal Reserve is the most important financial institution in the world.

Textbook

Bade and Parkin, "Foundations of Economics", 8th Edition, 2017, ISBN: 0134486811.

Assignments and Grading

Grading will consist of exams, homework and in-class quizzes.

I. Exams

- 1) There will be three partial exams and one final exam.
- 2) Each partial test has a weight of 20% on your final grade for a total of 60%.
- 4) The final exam is comprehensive and mandatory and has a weight of 15% in your final grade.
- 5) To help you out, the final exam grade substitutes the lowest grade of your partial exams. For example, imagine that your grades in the partial exams are: 90, 85 and 65. Then you take the final and obtain a grade of 75. In this case, the grade of 65 in your lowest partial exam is substituted for a grade of 75 and that 75 has a weight of 35% in your final grade (15% from the final exam and 20% from the partial exam). If the final exam grade is no better than any of your partial exam grades your lowest exam grade will not be substituted, you will keep your old higher grade and the final exam grade will count only for 15% of your final class grade.
- 6) I will post a practice test before each partial exam and you can get extra credit points in the actual exam for doing the practice exam (see below for details).
- 7) See the class calendar for each exam date.

II. Homework

- 1) There will be six homework sets.
- 2) The homework set will be similar to the midterms.
- 3) The main purpose of the homework is to better prepare you for the partial exams and to familiarize you with the material.
- 4) The homework will be posted online and you MUST input your answers online (do not email me the answers or turn them in by hand).
- 5) You will have about a week to work on the homework. In the class calendar you will see the date each homework is posted and the due date. You can save your work on and come back later to finish the homework. However, make sure that you must submit your answers by the due date and time.
- 6) THE HOMEWORK IS DUE AT MIDNIGHT OF THE RESPECTIVE DUE DATE.
- 7) Because the homework is online, you will have two attempts for each homework and I will only count your highest grade of those two attempts. However, you must submit the homework before the due date and time. Right after submitting your first attempt you can see your grade, the questions, your answer and the correct answer for each question in the homework. You can use this information to study and take the homework again. When you take it again a new set of questions will show up and you can use your previous attempt to study and answer the second attempt. After you submit your second attempt you will be able to see your grade, the questions, your answer and the correct answer for each question in that attempt as well. You can save your homework and come back later in both attempts so you do NOT have to do it in one sitting. Remember, **I will only count your highest grade out of those two attempts as your grade for that homework**. For example, imagine that you take Homework 1 and you get 70 in first attempt and in your second attempt you get 85, then your grade in Homework 1 is 85.

- 8) Homework will be graded from 0 to 100. If you do not input your answers before the due date and time you get a zero.
- 9) When calculating your final grade, I drop your lowest homework grade and then calculate your homework average.
- 10) The homework average (without the lowest grade) has a weight of 20% in your final grade.

III. Quizzes

- 1) There will be a total of six in-class quizzes in the semester.
- 2) The main purpose of the quizzes is to make sure that you are following the material so they have a small weight on your final grade.
- 3) Each quiz consists of two or three easy questions about the most important topics of the previous topic covered (see the class calendar). That is, the quiz covers the topics covered the previous two classes. Do not stress about the quizzes too much, if you study the material you should be able to get a good quiz grade.
- 4) Quizzes will take place in the first five minutes of some classes. See the class calendar for the specific days quizzes will take place. Make sure you come to class early those days. If you come late you may miss the quiz and get a zero on that quiz.
- 5) Quizzes will be graded from 0 to 100. If you do not take the quiz you get zero.
- 6) When calculating your final grade, I drop your lowest quiz grade and then calculate your quiz average.
- 7) The quiz average (without the lowest grade) has a weight of 5% in your final grade.

SUMMARY OF GRADING ITEMS AND WEIGHTS

Exam 1.....	20%
Exam 2.....	20%
Exam 3.....	20%
Final Exam.....	15%
Homework Average (w/out lowest grade).....	20%
Quiz Average (w/out lowest grade).....	5%
Total.....	100%

Answers to online assignments

Every online assignment (Homework and Practice Exam) is different for each student. Because of this, after you have submitted your assignment you will be able to see your score, your answer and the correct answer for every question in your assignment. This means that you **DO NOT HAVE** to wait until the due date to see the answers. You can access this information any time after you have submitted your assignment by going to "My Grades" and clicking on the grade for that assignment.

Late Assignment and Make-up Policy

I understand that life happens during the semester but I also want to be fair to everyone else. So, I am trying to balance things out. If you cannot take an exam on time because of a medical or family emergency, some kind of University athletic activity or other justifiable reason then let me know and I will allow you to take it earlier or later without any penalty (within a reasonable timeframe).

However, be prepared to show me some documentation to substantiate your claim. This for when things get real, so I went out and party because the Texans won does not count, unless you get hurt celebrating, then it counts. In any case, talk to me and we can figure something out.

Extra Credit Practice Exams

You can also get extra points in the partial exams by doing the corresponding Partial Exam online on Blackboard. The practice exam is posted before each partial exam and it is similar (although not the same) to the actual test. I know that if you work on the practice exam you will do better in the actual test, so I am doing this to incentivize you to work on the practice exam.

In the class calendar you can see when each practice exam will be posted and when it closes.

This is how it works (read it carefully, it's not the usual blah, blah):

- 1) You can take the Practice Exam as many times as you want but I will only consider the highest grade you get in all of your attempts to give you extra points.
- 2) If your highest grade out of all your attempts is between:
60 to 69 you get 1 extra point in the actual test,
70 to 79 you get 2 extra points in the actual test,
80 to 89 you get 3 extra points in the actual test,
90 to 99 you get 4 extra points in the actual test,
100 you get 5 extra points in the actual test,
- 3) Once you have finished each attempt of the Practice Exam you can check your answers and the correct answers by going to “mygrades” and clicking on your grade (the same way you would check it for the other assignments).
- 4) Every time you take the Practice Exam a new set of questions will be drawn randomly from a pool of questions. Therefore, you will see slightly different questions every time you take it.
- 5) You have up to 75 minutes to finish each attempt. Each attempt must be finished in one sitting. That means you cannot pause or stop the clock. To be fair to everyone, once the 75 minutes are up the practice exam will be automatically submitted if you have not submitted it yet.
- 6) Practice Exam will remain open until right before the actual exam. For example, the Practice Exam 1 will close on February 20th at 12.30 pm.
- 7) The Practice Exam is under the “Extra Credit Practice Exams” unit.
- 8) Please notice that these are extra credit points, if you do not want to do it, it is ok and it will not lower your Exam grade. This is just to help you.

Please remember, that there is no penalty for taking the Practice Exam multiple times. In fact, I want to encourage you to take it as many times as possible. The more practice you get the better prepared you will be for the actual test.

Example: Alex takes the Practice Exam 2 four times and he gets the following scores: 50, 78, 90, 60. This means that Alex will get 3 extra points added to this Exam 2 grade because the highest grade in all of his attempts is a 90. Then, Alex takes the actual Exam 2 and gets a grade of 87. In this case, the Total Exam 2 Grade for Alex is $87 + 3 = 90$ for a letter grade of "A".

Attendance

I will take attendance starting on the first day of class by university regulations. However, attendance for extra points will start on the third class. In order for your presence to count as attendance you have to stay for the whole class time.

Attendance is important but not required. I believe that you will learn more if you come to class:

If you do not miss any classes, you will receive a bonus of 2 points out 100 of in your final grade. If you only miss one or two classes you will receive one bonus point.

Final Numerical and Letter Grade.

The final numerical grade is calculated as follows:

$$\begin{array}{r} \text{(Homework Average without the lowest grade)} \times 0.20 \\ + \\ \text{(Quiz Average without the lowest grade)} \times 0.05 \\ + \\ \text{(Exam 1)} \times 0.20 \\ + \\ \text{(Exam 2)} \times 0.20 \\ + \\ \text{(Exam 3)} \times 0.20 \\ + \\ \text{(Final Exam)} \times 0.15 \\ \text{[if final exam grade is higher than lowest partial exam} \\ \text{grade is dropped, final exam replaces that grade and it is multiplied by 0.35]} \\ + \\ \text{Extra Points for Attendance} \\ \hline \text{Final Numerical Grade} \end{array}$$

Once I obtain the final numerical I will assign a letter grade using the following table. Please note that there is no curve in the final numerical grade.

Final Numerical Grade	Final Letter Grade
90 to 100	A
80 to 89	B
70 to 79	C
60 to 69	D
Less than 60	F

Important Dates

Exam 1 February 20th

Exam 2 April 3rd

Exam 3 May 3rd

Final Exam May 8th (1.00 to 2.30 pm)

Email and Phone

During the semester I will be sending emails to the students in the class. These emails go from reminders about assignments to clarifications to the lecture notes or if I add additional material. The emails are sent to your SHSU account, make sure that you have a working SHSU email.

Academic dishonesty, students with disabilities, visitors to the classroom and religious holiday policies.

I will follow the University's policies for academic dishonesty, students with disabilities, visitors to classroom and religious holidays posted in the following link: <http://www.shsu.edu/syllabus>

Classroom Policies.

During lectures the only rule is that you do not behave in a manner that disrupts or distracts the learning process. You can use your cell phone, tablet or laptop in a discreet and non-disruptive manner to me and to the other students. Use common sense. The penalties for not following this simple rule are up to my discretion.

During exams cell phones, tablets, smart watches or any communication device are NOT allowed. We must follow Academic Policy Statement 100728 that states the *use of these devices during a test is considered de facto evidence of cheating and could result in a charge of academic dishonesty.* Moreover, this policy also states that even the visible presence of such devices during exams can be considered as cheating. I have no choice in this matter, so if you phone or communication device is visible or you use it during a test then it is considered as cheating. The penalties for cheating are up to my discretion but they usually result in an "F" in the class.

The link to Academic Policy Statement 100728 is below:

<https://www.shsu.edu/dotAsset/6d35c9c9-e3e9-4695-a1a1-11951b88bc63.pdf>

Economics Department's Webpage

Whenever you have some free time go to the Department of Economics website where you can find updated information about our department, resources for students, information about scholarships, study abroad programs and much more.

Economics Department webpage: <http://www.shsu.edu/academics/economics-and-international-business/>

SUMMARY OF MANDATORY AND EXTRA CREDIT ASSIGNMENTS

Assignment	Weight in Final Grade	Dates
Exam 1	20%	February 20th
Exam 2	20%	April 3rd
Exam 3	20%	May 3rd
Final Exam*	15%	May 8th
Homework Average (without lowest grade)	20%	Homework 1: Jan. 30th to Feb. 6th Homework 2: Feb. 8th to Feb. 15th Homework 3: Mar. 6th to Mar. 20th Homework 4: Mar. 22nd to Mar. 29th Homework 5: Apr. 12th to Apr. 19th Homework 6: Apr. 19th to Apr. 26th
Quiz Average (without lowest grade)	5%	Quiz 1: Feb 1st Quiz 2: Feb. 8th Quiz 3: Mar. 6th Quiz 4: Mar. 22nd Quiz 5: Apr. 10th Quiz 6: Apr. 24th
Total	100%	
*If your Final Exam grade is higher than your lowest exam grade then your final exam grade will be used as your lowest grade for a total weight of 35% and your lowest partial exam grade will be dropped.		
Optional Extra Credit Assignments		
Attendance Extra Points	If you do not miss any classes, you will receive a bonus of 2 points in your final grade. If you only miss one or two classes you will receive one bonus point. More than two absences you do not get any extra credit.	
Extra Credit Practice Exam	If your highest grade in all of your submissions of the Practice Exam is between 60 to 69 you get 1 extra point in the actual test; 70 to 79 you get 2 extra points in the actual test, 80 to 89 you get 3 extra points; 90 to 99 you get 4 extra points; 100 you get 5 extra points.	

CLASS CALENDAR

Thursday January 18th <hr/> First Day of Class	Tuesday January 23rd <hr/>	Thursday January 25st <hr/>	Tuesday January 30th <hr/> Homework 1 Assigned	Thursday February 1st <hr/> In-class Quiz 1	Tuesday February 6th <hr/> Homework 1 Due at Midnight
Thursday February 8th <hr/> Homework 2 Assigned In-class Quiz 2	Tuesday February 13th <hr/> Practice Exam 1 Posted on Blackboard	Thursday February 15th <hr/> Homework 2 Due at Midnight	Tuesday February 20th <hr/> EXAM 1 Practice Exam 1 closes at 12.30 pm	Thursday February 22nd <hr/>	Tuesday February 27th <hr/>
Thursday March 1st <hr/>	Tuesday March 6th <hr/> Homework 3 Assigned In-class Quiz 3	Thursday March 8th <hr/>	Tuesday March 20th <hr/> Homework 3 Due at midnight	Thursday March 22nd <hr/> Homework 4 Assigned In-class Quiz 4	Tuesday March 27th <hr/> Practice Exam 2 Posted on Blackboard
Thursday March 29th <hr/> Homework 4 Due at Midnight	Tuesday April 3rd <hr/> EXAM 2 Practice Exam 2 closes at 12.30 pm	Thursday April 5th <hr/>	Tuesday April 10th <hr/> In-class Quiz 5	Thursday April 12th <hr/> Homework 5 Assigned	Tuesday April 17th <hr/>
Thursday April 19th <hr/> Homework 5 Due Homework 6 Assigned	Tuesday April 24th <hr/> In-class Quiz 6	Thursday April 26th <hr/> Homework 6 Due Practice Exam 3 Posted on Blackboard	Tuesday May 1st <hr/>	Thursday May 3rd <hr/> EXAM 3 Practice Exam 3 closes at 12.30 pm	FINAL EXAM Tuesday May 8th: 1.00– 2.30 PM Practice Final Exam Posted on Blackboard on May 5th (closes at 1.00 pm on May 8th)

Outline

Topic 1. Introduction to Macroeconomics and GDP Definition.

Textbook Chapter: 21

1. What is Macroeconomics?
2. The importance of macroeconomic analysis.
3. Income and expenditure
4. What is GDP
5. What is not included in GDP
6. Final Goods
7. Time frame (seasonally adjustments)

Topic 2. Why is GDP important?

Textbook Chapter: 21

1. GDP per capita
2. GDP per person and Life expectancy
3. GDP per person and happiness
4. GDP per person and living standard
5. Differences in GDP per capita across countries

Topic 3. GDP components.

Textbook Chapter: 21

1. Consumption
2. Investment
3. Government purchases
4. Net exports

Topic 4. GDP approaches

No textbook chapter: use power point handout

1. Spending approach
2. Value added approach
3. Income approach

Topic 5. Nominal and Real GDP

Textbook Chapter: 23

1. Nominal GDP
2. Real GDP
3. GDP deflator
4. Price level
5. Deflating
6. Monetary value today
7. Consumer Price Index

Topic 6. Long-run economics growth

Textbook Chapter: 25

1. Comparison across countries
2. Production function.
3. Productivity.
4. Technological change
5. Savings and investment
6. Convergence among countries.
7. Growth policies.

Topic 7. Savings, investment and the financial system

Textbook Chapter: 26

1. Capital and investment
2. Financial system and growth
3. Financial sector role
4. Macroeconomics of savings and investment
5. Nominal and real interest rates
6. Market for loanable funds
7. Crowding-out effect

Topic 8. Unemployment.

Textbook Chapter: 22 and 24

1. Labor market
2. Measuring unemployment
3. Unemployment rate
4. Labor market in the US
5. Labor market indicators
6. Unemployment types.

Topic 9. Money supply, central bank, inflation and monetary policy

Textbook Chapter: 27, 28 and 31

1. Money functions
2. Types of money
3. Measurements of money
4. Money creation mechanism.
5. Money multiplier
6. Money supply and the Federal Reserve Bank System
7. Inflation tax
8. Instruments and functions of The Fed
9. Quantity Theory of Money
10. Phillips curve
11. Monetary Policy

Topic 10. Fiscal Policy.

No textbook chapter: use power point handout

1. Federal Budget
2. U.S. historic federal budget
3. U.S. historic federal revenues
4. U.S. historic federal outlays
5. Government debt
6. Foreign sector, savings and crowding-out
7. Types of deficits

Topic 11. Aggregate demand and supply and government policies

Textbook Chapter: 29 & 33

1. Aggregate demand and supply
2. Long and short run aggregate supply.
3. Long and short run equilibrium.
4. Monetary Policy
5. Fiscal Policy