

Econ 112  
Principles of Macroeconomics  
Fall 1993

Instructor: Dr. Frank Maddox  
Seney Hall (see directory)  
Phone: (see directory)  
Office Hours: MWF 10:00 - 12:00  
TTh 9:00 - 9:30, 11:00 - 12:00  
& by appointment

Course Description: Econ 112 presents the main national economic issues of unemployment, inflation and economic growth in the context of a theory of national income determination. The course begins by describing the economic problems facing every society and the possible ways that society can organize itself to solve these problems. The laws of demand and supply are examined.

Next, the measurement of the flow of national income and its major components, such as consumer spending, is summarized. These concepts become the basis for an explanation of the size of the total flow of income, and for policy recommendations to influence the size and stability of that flow. Aggregate demand for final output and aggregate supply of it are used to analyze business cycles, the deficit and fiscal policy. After describing money and the banking system, the role of the Central Bank in setting monetary policy is presented.

The twin problems of unemployment and inflation are then put into a theoretical, historical and policy perspective. The analysis is extended to include the balance of international payments and the foreign currency exchange markets. The course concludes by examining factors that contribute to the long run growth of national income and the development of the infrastructure of an economy.

Course Objective: The goal of Econ 112 is to develop a framework which the student may use to analyze the overall behavior of modern national mixed capitalist economics. This framework introduces the student to the economic way of thinking about the macro-level forces at work in society which shape economic performance and guide economic policy. Performance and policy then feed back to influence the business and social environment.

Method of Instruction: Econ 112 is taught through a combination of lecture discussion, homework and examinations. Class interaction allows the students to discover the strengths and weaknesses of past and current policy executed by U.S. policy-makers.

EMORY UNIVERSITY



050000003393

Text and Other Material Required to be Purchased by Student:

McConnell, Campbell R., and Brue, Stanley L., Economics,  
12th edition, McGraw Hill Publishing Company, 1993.  
The Wall Street Journal (sign-up sheet will be circulated  
first week of class).

Walstad, William B., and Bingham, Robert C., Study Guide to  
Accompany McConnell and Brue's 12th edition, McGraw  
Hill Publishing Company, 1993.

Examinations, Homeworks, and Quizzes: There will be three in-term  
exams and a comprehensive final examination. Several homeworks  
will be assigned during the semester. No late homeworks will be  
accepted. Several announced quizzes will be given during the  
semester. Students will not be allowed to make-up quizzes.

Grading Policy: Each in-term exam accounts for 20% of the course  
grade. The final exam accounts for 25% of the grade. Quizzes  
and homeworks combined are worth 15% of the grade. Exams and  
homeworks/quizzes will be graded numerically. Your numerical  
average will be converted into a letter grade:

A = 94 up to 100  
A- = 90 up to 94  
B+ = 87 up to 90  
B = 84 up to 87  
B- = 80 up to 84  
C+ = 77 up to 80  
C = 74 up to 77  
C- = 70 up to 74  
D+ = 67 up to 70  
D = 60 up to 67  
F = 0 up to 60

Attendance Policy: Attendance is required and will be recorded  
each class period.

Make-up Examination Policy: Make-ups exams will be permitted only  
with written support (approved by the instructor) of serious  
situations which preclude the student's ability to take the exam  
during the scheduled time.

Important Dates

September 6 - Labor Day (no class)  
September 22 - Exam I  
September 24 - Last day to drop without academic penalty  
October 7,8 - Mid-semester break  
October 29 - Exam II  
November 24-26 - Thanksgiving recess  
November 30 - Exam III  
December 6 - Final exam for 9:00 a.m. class (2:00-5:00)  
December 10 - Final exam for 8:00 a.m. class (9:00 - 12:00)

## Course Outline

### Week 1; August 23-27

The economic way of thinking and an overview of the main themes of the course. Review of basic math and graphs. Pitfalls to objective thinking. The foundation of economics. Economics and efficiency. the "Isms."

Chapter 1. The Nature and Method of Economics

Chapter 2. The Economizing Problem

### Week 2; August 30 - September 3

Capitalist ideology. The Circular flow model of an economy. The market as an institution. Supply and demand analysis. Concept of Equilibrium.

Chapter 3. Pure Capitalism and the Circular Flow

Chapter 4. Understanding Markets: Demand and Supply

### Week 3; September 6-10

Households as the economy's income receivers. Households as spenders (Consumption). The business population. Legal forms of business. The foreign sector. The five fundamental questions and the market system at work. The economic functions of government. Government finance.

Chapter 5. The Private Sectors and the Market System

Chapter 6. The Public Sector

### Week 4; September 13-17

Measuring domestic output. The importance of measuring our production via Gross Domestic Product. The expenditure vs. income approach to calculating GDP. Other social accounts. Price level measurement. Nominal vs. real GDP. The business cycle. Unemployment. Inflation and its effects upon the economy. Our model of the aggregate economy. Aggregate demand/aggregate supply equilibrium. Changes in aggregate equilibrium.

Chapter 7. Measuring Domestic Output

Chapter 8. Macroeconomic Instability

Chapter 9. Aggregate Demand and Aggregate Supply

### Week 5; September 20-24

Review and catch-up on Monday

\*\*\*\*\*September 22 -- Exam I -- Chpts. 1-9

Week 6; September 27 - October 1

The Classical Theory of Employment. The revolution of Keynes. Classics and Keynes revisited via AS-AD. Tools of Keynesian Employment Theory. Consumption and Investment Functions. Expenditures-output approach to equilibrium. Leakages-Injections approach to equilibrium. Planned versus Actual Investment. The expenditure multiplier. Equilibrium versus full-employment output.

Chapter 10. Classical and Keynesian Theories of Employment  
Chapter 11. Equilibrium Output in the Keynesian Model

Week 7; October 4-8

Fiscal policy. Legislative mandates. Discretionary versus built-in policy. Problems, criticisms and complications associated with fiscal policy.

Chapter 12. Fiscal Policy

Week 8; October 11-15

The functions of money. The supply of money-- what backs it. The money market. Finance in the U.S. Thrift failures. The Goldsmith banks. Commercial banking in the U.S. Money creation via multiple-deposit expansion.

Chapter 13. Money and Banking  
Chapter 14. How Banks Create Money

Week 9; October 18-22

Objective of monetary policy. The tools of monetary policy. OMO, reserve ratio, discount rate. Effectiveness of Monetary Policy. Difference between monetarists and Keynesians. Basic monetary equations. Velocity. Policy Debates Rational Expectations.

Chapter 15. The Fed and Monetary Policy  
Chapter 16. Monetarism and Rational Expectations

Week 10; October 25-29

Review and Catch-up on Monday

\*\*\*\*\*October 29 - Exam II - Chpts. 10-16

Week 11; November 1-5

The Phillips Curve. Stagflation- a double whammy. The Natural Rate Hypothesis of unemployment. Demand-pull, cost-push inflations. Market Policies. Supply-side economics. Deficits vs. Debt. Budget Philosophies. Economic Implications of the debt.

Chapter 17. The Inflation-Unemployment Relationship

Chapter 18. Budget Deficits and the Public Debt

Week 12; November 8-12

Ingredients of Growth. Accounting for Growth. The Productivity Slowdown. Growth Policies. The importance of world trade. The basis for international trade-- comparative advantage. Trade barriers. Protectionism. International trade policies.

Chapter 19. Economic Growth

Chapter 37. International Trade

Week 13; November 15-19

Financing international trade. The international balance of payments. Exchange rate systems.

Chapter 38. Exchange Rates and Balance of Trade

Week 14; November 22-26

Review and Catch-up

Week 15; November 29 - December 3

\*\*\*\*December 1 - Exam III - Chpts. 17-19, 37, 38.