

GOVERNORS STATE UNIVERSITY
College of Business and Public Administration

COURSE: PRINCIPLES OF MACROECONOMICS
COURSE NO.: ECON 302 - *Book II*
SESSION: SUMMER 1993
INSTRUCTOR: DR. A. PETRO
PHONE NO.: 708-534-4968
OFFICE HOURS: MONDAY 12:00 - 1:00 p.m.
3:30 - 4:30 p.m.
WEDNESDAY 12:00 - 1:00 p.m.
3:30 - 4:30 p.m.

CREDIT HOURS: THREE

PREREQUISITE: NONE

CATALOG DESCRIPTION:

Studies the economy as a whole, dealing with economic data, behavior, and theory at the aggregate level of the economy. Examines income, output, employment, prices, and other variables in terms of their measurement determination and policy implications.

TEXTBOOK: R. T. Byrns & G. W. Stone, Macroeconomics
Scott, Foresman & Company. 5th Edition.
1992. (Study guide by same authors is optional.)

TOPICS & ASSIGNMENTS:

The problems at the end of each chapter are part of the class assignment.

I. Economics: The Study of Scarcity and Choice

Objective: A focus on concepts that provide a general framework for understanding later analysis: choices, scarcity, opportunity, cost, macro vs. micro economics, positive vs. normative and methods of economics.

- a. Nature of Economics: Definition
- b. Micro vs. Macro economics
- c. Methods of Economics: Graphics

Text: Chapter 1

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II. Scarcity in a Changing World

Objective: To describe the four basic questions posed by scarcity. Use production possibilities curves to describe scarcity, increasing costs, economic growth, and allocation mechanisms.

- a. Production Possibilities Curves: The Economic Problem
- b. Growth Technology
- c. Alternative Systems

Text: Chapter 2

III. Demand and Supply

Objective: Explain the law of demand and the law of supply; describe the major determinants, and how they cause demand and supply curves to shift; give the effect of time; explain what market equilibrium is and how it is achieved.

- a. The Demand Curve: Determinants
- b. The Supply Curve: Determinants
- c. Market Equilibrium

Text: Chapter 3

IV. Markets and Equilibrium

Objective: Explain how prices and quantities change to reflect movement in supplies and demands. Show the effects of taxes, subsidies, price floors and price ceilings.

- a. Equilibrium: Price and Quantity
- b. Shifts in Demand and Supply
- c. Shortages and Surpluses
- d. Intervention: Taxes

Text: Chapter 4

EXAMINATION #1

V. An Overview of Macroeconomics

- a. Business Cycles
- b. Modern Macroeconomics
- c. Aggregate Demand - Supply

Text: Chapter 5

VI. Unemployment and Inflation

Objective: Examine unemployment, measurement of unemployment, inflation, and its measurement by the use of index numbers.

- a. Aggregate Demand and Supplies
- b. Unemployment Measure
- c. Measure of Inflation

Text: Chapter 6

VII. Measuring Economic Performance

Objective: Define concepts. Explain the method of determining the GNP measure. Derive the various income concepts from GNP.

- a. National Income & Product: GNP
- b. Methods of Measuring
- c. Income Concepts

Text: Chapter 7

VIII. Classical & Keynesian Macroeconomics

Objective: Introduce the core of major alternative approaches to macroeconomics.

- a. Classical Theory
- b. Keynesian Aggregate Demand
 - 1. components
 - 2. marginal concepts

Text: Chapter 8

IX. Macroeconomic Equilibrium

Objective: Explain the short-run macroeconomics equilibrium in a Keynesian framework for private sector activity.

- a. Equilibrium: Saving and Investment
- b. Multiplier Process
- c. Potential GNP and Equilibrium

Text: Chapter 9

X. Government Taxing and Spending

Objective: Distinguish between discretionary and automatic fiscal policy. Explain the effects of fiscal policy on the economy.

- a. Discretionary Fiscal Policy
- b. Automatic Stabilizers
- c. Effect of Fiscal Policy

Text: Chapter 10

EXAMINATION #2

XI. Money and its Creation

Objective: Describe the functions of money. Define the money supply. Explain the money creation process. The fractional reserve system, and commercial banks.

- a. Functions of Money
- b. Definitions of Money Supply
- c. The Money Creation Process and Banks

Text: Chapter 11

XII. The Federal Reserve System and Financial Institutions

Objective: Describe the Federal Reserve System. Explain the nature and use of the Federal Reserve tools of control. Discuss the various types of financial intermediaries.

- a. The Federal Reserve System
- b. Organization of the Federal Reserve
- c. Monetary Tools of Control

Text: Chapter 12

XIII. Monetary Theory and Policy

Objective: Explain the various approaches to the demand for money. Describe the quantity theory of money. Develop modern monetary analysis and the effect of policy.

- a. Demand for Money
- b. Theories: Classical, Keynesian and Monetarism
- c. Discretionary Monetary Policy

Text: Chapter 13

XIV. Financing Government: Deficits and Debt

Objective: Define budgets and deficits. Describe government financing and the impact on private sector. Explain crowding-out. Describe the public debt.

- a. Financing Government
- b. The Economic Effect of Deficit

c. Crowding-out and the Public Debt

Text: Chapter 14

EXAMINATION #3

XV. Aggregate Demand and Supply

Objective: Explain the basics of aggregate demand and supply, and their major determinants. Describe the causes of shifts in these curves. Define inflation and deflation.

- a. Foundations of Aggregate Demand and Supply
- b. Shifts and the Effects
- c. Analysis of Inflation and Deflation

Text: Chapter 15

XVI. Active vs. Passive Policymaking

Objective: Describe the Phillips Curve. Explain Cost-Push and Demand-Pull Inflation. Develop analysis on natural rate theories relative to inflation.

- a. Phillips Curve Analysis
- b. Cost-push and Demand-pull inflation
- c. Natural Rates

Text: Chapter 16

XVII. Limitations of Stabilization Policy

Objective: Define concepts. Explain the problems of policy making. Discuss the lag in effect of policy. Discuss new classical economics.

- a. Stabilization Policy
- b. Policymakers Dilemma: Lag in Effect
- c. New Classical Economics

Text: Chapter 17

XVIII Economic Growth and Development

Objective: To explain the elements of growth and development

XIX. International Trade and Finance

Objective: Describe gains from trade. Discuss free trade. Describe trade barrier. Discuss balance of payments. Define exchange rates, and systems of international payments.

- a. The Gains from Trade

- b. Trade Policies and Barriers
- c. Balance of Payments and Exchange Rates

Text: Chapters 19 and 20

FINAL EXAMINATION

GRADING POLICY

Grades are based on the performance on the exams:

3 Examinations = 300 points possible

Grade Scale:	A = 90%
	B = 80%
	C = 70%
	D = 60%
	F = Less than 60%

EXAMINATIONS

The exams are objective type: true-false, multiple-choice, problems, etc.

The final exam has an optional part worth 20 - 30 per cent and covers any material from those chapters not included on the final. These earned points would be added to the earned points from the exams and then the grade would be determined according to the grade scale.

ATTENDANCE AND MAKE-UPS

Attendance is required and absences will be recorded. After three absences you will not be allowed to sit for the next exam. You are responsible for materials covered in missed classes. Make-up exams will be given the last week of the semester.