

ECO-114 (Section 02): Principles of Macroeconomics

Fall 2015

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Lectures: GH 408, M W 04:00 PM – 05:15 PM

Office hours: T Th 10 AM–12 PM
or by appointment.

Course website: <https://canvas.lemoyne.edu>
Log in with your Le Moyne ID and password.

Course Description

This course presents an overview of theories related to the aggregate economy. The major goal of this course is to equip students with the tools to explain the workings of the macroeconomy and analyze policies through which the government and the central bank may influence economic outcomes. The course is organized into following five parts.

- Introduction to Demand and Supply (Ch. 3–4) – This part reviews microeconomic concepts with an objective to provide students with a strong microeconomic foundation to understand the theories behind the macroeconomy. We discuss how a competitive market operates through demand and supply forces and why it is efficient. We also explore the welfare loss caused by any distortion in the competitive market.
- The Macroeconomic Data (Ch. 8–9) – This part introduces students to key macroeconomic concepts such as the Gross Domestic Product (GDP), inflation, and unemployment rate. Students will be exposed to the data construction procedures and will also learn how to interpret these data to draw inferences about current economic conditions.
- Long-Run Economic Growth (Ch. 10–11) – This section explores how the economy evolves over time and discusses the issues in long-run economic growth. The primary objective of this section is to understand the long-run determinants of the standards of living. Particularly, we will focus on factors such as capital accumulation, human capital, and technological progress in fostering economic growth in the long-run.
- Short-Run Fluctuations (Ch. 12–13) – We will devote a significant amount of time in this section to develop the AD-AS model to understand the short-run business cycle fluctuations. The major objective of this section is to understand how various supply and demand side shocks result in recessions and expansions in the economy.
- Monetary and Fiscal Policy (Ch. 14–17) – In this section, we will focus on the policy actions undertaken by the Federal Reserve and the Federal Government during the times of recessions and expansions to stabilize the economy. We will learn the policy tools in the hands of the Federal Reserve and the Federal government, and the channels through which these tools operate to affect the economy.

Learning Objectives

- Understand the functioning of competitive markets, and develop the ability to analyze the impact of distortions in the competitive market on welfare loss.
- Understand the meaning and the data construction procedures of macroeconomic concepts such as GDP, unemployment, and inflation.
- Understand the determinants of long-run economic growth.
- Understand the role played by the financial institutions, especially commercial banks, in affecting the money supply through fractional reserve banking system.
- Identify the determinants of aggregate demand (AD) and aggregate supply (AS). Develop the ability to identify the business cycle phases and determine their effects on macroeconomic variables using the AD-AS framework.
- Understand the role of the policymakers in stabilizing the economy through fiscal and monetary policies. Understand the relative advantages and limitations of these policies, and the unemployment-inflation trade-offs that policymakers face in attaining macroeconomic stability in the short-run.

Course Materials

Required Textbook: [Macroeconomics](#) by Glenn P. Hubbard and Anthony P. O'Brien, Fifth Edition, Pearson Education, Inc. The book is available from the book store and may be available at a cheaper price from [Amazon](#) or elsewhere.

Additional Readings: Articles from the popular press and Federal Reserve's website will be assigned periodically. Links to these articles or copies of the articles will be posted on [Canvas](#). Some of the assignments will involve downloading and analyzing macroeconomic data from websites such as [Fred](#), the [Bureau of Economic Analysis](#), and the [Bureau of Labor Statistics](#).

Requirements: This is an introductory level economics course. While most of this course entails graphical analysis, we will resort to mathematical approaches at times to have a better understanding. Students are required to know high school algebra for this purpose.

Grading Scale

90– < 93	A–	> 93	A		
80– < 83	B–	83– < 87	B	87– < 90	B+
70– < 73	C–	73– < 77	C	77– < 80	C+
60– < 70	D				
< 60	F				

Grading Policy

Graded Item	Weight	Description
Homework	20%	5 homework assignments – 4 points each. Working in group is allowed, but simply copying someone’s homework will be considered as “cheating”.
Quizzes	10%	Approximately 4-5 unannounced quizzes. You get half the points just for taking them.
Midterms	40%	3 midterm exams – 20 points each. Only 2 are counted towards your grade – exam with the lowest score will be dropped.
Comprehensive Final	30%	

Students with Disabilities

If you have a disability and need accommodations, please meet with me within the first two weeks of the semester to review your accommodation sheet. You should meet with someone from the Office of Disability Support Services each semester to review your documentation. The Office is located in the Library (1st floor; 445 4118; dss@lemoyne.edu).

Missed Exam, Project, and Homework Policy

If you miss one of the midterms, your grade in the missed exam will be dropped. If you miss more than one midterms, you will be given a make-up exam only if you missed the exam for a valid excuse and you provide me with a written documentation. Any exams missed without a legitimate excuse and written documentation will receive a grade of zero. You have one week from the missed exam date to produce officially approved written documentation. In case of homework assignments, there will be no make-ups, but I will drop the missed assignments from your grade if you submit the approved documentation. The college approved excuses can be found at <http://www.lemoyne.edu/tabid/3070/default.aspx>.

Observance of Religious Holidays

As provided in New York State Education Law Section 224-a, any student who is unable to register for class, attend class, or participate in any examination, study or classwork requirements on a particular day because of his or her religious beliefs is eligible for an equivalent opportunity to register for classes or make up any missed examination, study, or classwork requirements, without penalties or additional fees. For details, see the “Class Attendance” section of the College catalog or the “[Academic Life](#)” section of the Student Handbook.

Tutoring

Tutoring @ Le Moyne, located in the back of the library, on the first floor, is open M-Th 9am-9pm, F 9am-4pm, and Sun 5pm-9pm. Peer tutors are available for most subjects. To sign up, visit <https://lemoyne.mywconline.com/> to create an account and log in to select the current semester's schedule. If you need tutoring for a subject not listed, please email tutoring@lemoyne.edu. Tutoring is free for all students and is available from the second week of classes through the last day of classes.

Academic Standards

Students are expected to observe at all times the highest ethical standards as members of the academic community. Any form of dishonesty makes a student liable to severe sanctions, including expulsion from the College. For details, see the "Academic Standards" section of the College catalog or the Student Handbook.

Class Attendance Policy

- Please enter the classroom on time and do not leave before the lecture is over.
- Please either switch off your cellphone or put it in silent mode before you enter the class.
- Please refrain from engaging in conversation with your friends or reading magazines and any literature unrelated to the course during lectures.
- You may not use any electronic gadgets such as cellphone, iPads, tablets, and laptops during the lecture.

Tentative Course Schedule and Reading Assignments

- August 31 – Introduction; Demand and Supply (Ch. 3).
- September 2 – Demand and Supply (Ch. 3).
- September 7 – Labor Day – No class.
- September 9 – Economic Efficiency, Government Price Setting, and Taxes (Ch. 4).
- September 14 – Economic Efficiency, Government Price Setting, and Taxes (Ch. 4) & Bernstein, J. and Parrot, S. 2014. "[Proposal to Strengthen Minimum Wage Would Help Low-Wage Workers, With Little Impact on Employment](#)", *Center on Budget and Policy Priorities*, January 7.
- September 16 – Gross Domestic Product (Ch. 8).
- September 21 – Gross Domestic Product (Ch. 8).
- **September 23 – Exam 1 (Chapters 3, 4, & 8)**
- September 28 – Exam 1 Review; Unemployment and Inflation (Ch. 9).
- September 30 – Unemployment and Inflation (Ch. 9).
- October 5 – Economic Growth, the Financial System, and Business Cycle (Ch. 10)

- October 7 – Long-Run Economic Growth: Sources and Policies (Ch. 11).
- October 12 – Fall break. No Class.
- October 14 – Long-Run Economic Growth: Sources and Policies (Ch. 11).
- October 19 – Aggregate Expenditure and Output in the Short-Run (Ch. 12).
- October 21 – Aggregate Expenditure and Output in the Short-Run (Ch. 12).
- **October 26 – Exam 2 (Chapters 9, 10, 11, & 12).**
- October 28 – Exam 2 Review; Aggregate Demand and Aggregate Supply (Ch. 13).
- November 2 – Aggregate Demand and Aggregate Supply (Ch. 13).
- November 4 – Money, Banks, and the Federal Reserve System (Ch. 14).
- November 5 – November 23 class canceled. **Plan to attend Len Burman’s talk to be held in Grewen Auditorium from 5–6:15pm. Questions from the talk will be on the test.**
- November 9 – Money, Banks, and the Federal Reserve System (Ch. 14) & Laury, S.K. and Holt, C.A. (2000). “Classroom Games: Making Money”. *Journal of Economic Perspectives*, Vol. 14 (2), 205-213.
- November 11 – Monetary Policy (Ch. 15).
- November 16 – Monetary Policy (Ch. 15) & Dale, D. 2009. “The Genesis of a Crisis”. *Economic Insights, Colorado Council on Economic Education*, Vol. 3 (1), 1-7.
- November 18 – Inflation, Unemployment, and Federal Reserve Policy (Ch. 17).
- November 23 – No Class. **See November 5 schedule.**
- November 25 – Thanksgiving break – No class.
- **November 30 – Exam 3 (Chapters 13, 14, 15, & 17).**
- December 2 – Exam 3 Review; Fiscal Policy (Ch. 16)
- December 7 – Fiscal Policy (Ch. 16).
- December 9 – Review.
- **Final Exam – Monday, December 17: 9:00–11:30 AM**