

Economics 2301 - 04

Principles of Macroeconomics

Fall 2018

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*Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it... he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an **invisible hand** to promote an end which was no part of his intention. ... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.*

- Adam Smith, The Wealth of Nations (1776), Book IV, Chapter II, Paragraph 9.

Course Information

- Meeting place: SHB 184
- Meeting time: MW 11:00 am - 12:20 pm
- Semester: Fall 2018

Tutoring

- There is free tutoring available in room SHB 108, Monday through Thursday from 11:00 am to 4:30 pm. Tutoring is done on a first come first serve basis.

Course Description

- This course will introduce you to a broad set of topics in macroeconomics with an emphasis on policy-related analysis and readings. The class will be composed of four areas of study: (1) the measurement of economic activity; (2) economic growth; (3) money, banking and finance; and (4) economic fluctuations and monetary/fiscal policy.
- The objectives of the course are to provide you with a practical knowledge of macroeconomics in order to better understand current events and policy discussions; to introduce you to the data, formal models and problem-solving methods used by economists; and to prepare you for further study in macroeconomics.
- The course is designed to promote critical thinking/problem solving, empirical and quantitative analysis skills, and to improve your communication skills as well as social responsibility. Throughout the semester, you will learn about social and political institutions in the U.S. and across other countries and how they interact with the economy. We will also discuss some current topics covered by news and media and you will be required to participate in these discussions.

Required Book

- **Principles of Economics, N. Gregory Mankiw, Cengage , 8th Edition**
- This course requires MindTap through Cengage. This is the book's online platform that will give you access to the online book as well as your homework assignments throughout the semester.
- You can purchase MindTap through Cengage Unlimited - a digital subscription service designed to save you money. With Cengage Unlimited, you can access ANY Cengage materials you're using across ALL of your courses AND a library of over 22,000 eBooks, study guides and reference materials!
- Cengage Unlimited costs \$119.99 for one term (four months) and includes your ECON 2300 or ECON 2304 and 2305 (both semesters)! You also get a print rental book when you activate MindTap. You'll pay just \$7.99 + free shipping. You also have the option to purchase a loose-leaf version of your textbook, which you can keep. As a bonus, when your subscription ends, you can choose up to six eBooks to retain in your virtual locker for an additional 12 months!
- To register to your MindTap course, click on the Cengage link provided to you on Blackboard and follow the prompts.
- I have linked MindTap with Blackboard, so you won't need multiple log-ins to access the material. All you need is to purchase the subscription, and then you will get access to all class material from your Blackboard.
- You should NOT purchase BOTH individual course materials AND a Cengage Unlimited subscription—only ONE purchase is required. Cengage Unlimited is typically the best value.
- You will have a free 2 weeks trial from Cengage to access MindTap. After the free trial period, you will need to pay for your subscription.
- I have linked MindTap with Blackboard, so you won't need multiple log-ins to access the material. All you need is to purchase the subscription, and then you will get access to all class material from your Blackboard.

Evaluation

- Grades will be based on online problem sets (25%), two midterm exams (25% each), and a comprehensive final exam (25%).
 1. **Problem Sets**
 - **Graded Problem Sets**
 - * There will be 12-13 graded problem sets during the semester.
 - * All problem sets are online through MindTap.
 - * Each problem set is available to you at least one week prior to its due date, so you have plenty of time to work on them. You are expected to manage your time accordingly. So, **NO LATE ASSIGNMENTS ARE ACCEPTED.**
 - * You get multiple (3) attempts on each problem, and only your highest score is saved. That way you can practice more and learn better in case you miss a problem on your first or second attempts.
 - * Problem sets are due 11:59 PM of the respective due date.

– **Practice Problem Sets**

- * There will also be practice problem sets available to you on MindTap. Practice problem sets are not graded and won't count towards your final course grade. They are for practice purposes only.

2. Participation

- From time to time, I will ask questions in class and you need to write down your thoughts about the answer on paper and turn it in. You may also be asked to read one of your classmate's answer and critique their responses to the question. These in-class assignments will be used to grade you on participation. If you are absent during one of the sessions we have an in-class participation exercise, you will miss the points of that exercise.

3. In-class Exams

- There will be two in-class midterm exams during the semester. Exams are closed book and will consist of multiple choice questions, which can be contextual, numerical, and graphical. **Students will need a basic, non-graphing calculator.** No phones or calculators with memory are allowed.

4. Comprehensive Final Exam

- The final exam is similar to the midterms in terms of format.

Course Grade

- You'll be assigned a letter grade based on the following table:

Final Numerical Grade	Final Letter Grade
90-100	A
80-89.9	B
70-79.9	C
60-69.9	D
less than 60	F

Important Dates

Labor Day (NO CLASS)	Monday, September 3, 2018
Exam 1	Wednesday, September 26, 2018 - during class time
Exam 2	Wednesday, October 31, 2018 - during class time
Thanksgiving Holidays (NO CLASS)	Wednesday, Nov 21 through Friday, Nov 23, 2018
Last Class Day	Friday, November 30, 2018
Final Exam	Wednesday, December 5, 2018 - 2:30-4:30 PM

Late Assignment and Make-up Policy

- **No late assignments are accepted.** Problem sets are available to you for at least one week before the deadline, and you are expected to manage your time to meet the deadline.
- I understand that life happens! So, if you cannot take an exam on time because of an emergency situation, I will allow you to take the test earlier. BUT, you will need to provide documents to proof your urgent situation.

Honor Code

- All students are expected to be familiar with and to follow Sam Houston State University's Academic Policy Statement.

Tentative Course Topics

1. Gross Domestic Product (GDP)

- Calculation of GDP via market value and expenditure approaches
- Real GDP versus Nominal GDP and GDP Deflator as a measure of prices
- Long-run determinants of GDP and economic growth
- Short-run variations in GDP and business cycles
 - Aggregate Demand, Aggregate Supply
 - Monetary Policy
 - Fiscal Policy
 - Stabilization Policy
 - * Goals
 - * Pros and Cons
 - Inflation and Unemployment trade-off in the short run

2. Prices, Inflation, and Money

- GDP Deflator and the Consumer Price Index (CPI)
- Inflation and the value of money
- Federal Reserve and financial institutions
 - Organization of the Federal Reserve
 - Federal Reserve policy tools
 - Banks and other financial institutions
 - Bang operations and the supply of money
- Measures of money
- Quantity Equation and Quantity Theory
 - Money Supply's role in determining inflation in the long run
 - Money demand, prices, and price determination
 - Output and prices in the long run
- Costs of Inflation, Inflation and distortions

3. Interest Rates

- Nominal interest rates versus real interest rates
- Inflation's role in determining nominal interest rates and real interest rates; Fisher equation
- Loanable funds market
 - Demand for loanable funds; Firms' demand for physical capital
 - Household saving
 - Public saving, National Debt, and budget deficits
- Real Interest rate determination in the loanable funds market

4. Open-Economy Macroeconomics

- Loanable funds market in an open economy
 - Demand for loanable funds
 - International saving flows
 - Interest rate determination
- Exchange rates
 - Money, Inflation, and exchange rates; Purchasing Power Parity (PPP)
 - Interest rates and exchange rates
- Trade balance
 - The role of domestic saving and investment in determining the trade balance
 - Net Exports and Government Budget Balance; Twin Deficits
- International risk and Capital Flight

5. Unemployment

- Basic Labor Force calculations
 - Labor Force
 - Labor Force Participation Rate
 - Unemployment Rate
- Natural Rate of Unemployment and types of unemployment
- Unemployment and Real GDP/Business Cycles