Principles of Macroeconomics

Instructor Information

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Sam Houston State University

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Office : SHB 237J
Office Hours: TUTH 11.00–12.30 pm or by appointment. Send me an email if you cannot make it to my office hours to set an appointment.

Course Information

Meeting Place: SHB 128 TUTH 12:30-1.50 PM
Course Number: ECON 2301-07

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 analyze macroeconomic policy (i.e. monetary and fiscal policy). You will develop economic intuition and start thinking like an economist. In some cases, we will develop simple economic models with microeconomic fundamentals to teach you the way the economy works. The main idea of the course is not to provide you with lots of facts that you will have to memorize or that will be soon outdated. Rather, the course will teach you applied techniques that you can use for many years. Economics like all social sciences has different schools of thought. In this class, I will teach you the main schools and their approach to the most relevant macroeconomics problems. At the end of the semester you will be able to

A) Understand how economic well-being is measured for the whole economy. We will look at the two most important measures: GDP and Unemployment.

B) Understand the determinants of economic growth. In order to make the economy grow faster we need to know what determines its growth.

C) Understand the functions of Federal Reserve and its impact on the economy. The Federal Reserve is the most important financial institution in the world.

Required Textbook

Assignments and Grading

Grading will consist of the following three main categories only: exams, homework and quizzes.

Please notice that grades, assignments, power point slides, answer keys and all material will be posted on Blackboard.

Exams: there will be three partial exams and one final exam.

1) All exams are multiple choice.

2) The final exam is comprehensive.

3) If by the end of the semester you are happy with your grade you do NOT have to take the final exam. The final exam grade substitutes the lowest grade of your partial exams. If the final exam grade is no better than any of your partial exam grades you will keep your old grade, that is taking the final exam will not hurt your grade in the class. For example, imagine that your grades in the partial exams are: 80, 70 and 60. Then you take the final and obtain a grade of 75. In this case, the grade of 60 in your third partial exam is substituted for a grade of 75.

4) Each partial test has a different weight according to how well you do in each test. The highest grade represents 30% of your grade, the second highest grade 25% and the third highest grade 20%.

5) I will post a practice test with its answer key before each partial exam. The hardest questions in the partial exam will also have a more detailed explanation of the answer. All exams with the respective answer key will be posted a few days after the exam day.

Homework: there will be six homework sets.

1) The homework set will be similar to the midterms and all questions are multiple choice or true/false.

2) The main purpose of the Homework is to better prepare you for the partial exams.

3) The homework will be posted online on Blackboard and you MUST input your answers online. I will post a pdf file of the homework that you can print and work on it but when it comes to input the answers it has to be done online.

4) Homework will be graded from 0 to 100. If you do not input your answers before the due date you get a zero.

5) When calculating your final grade, I drop your lowest homework grade and then calculate your homework average. You can work in groups when solving the homework. If you work in groups it is important that you make sure that you understand the material.

6) The answer keys to the homework will be posted on Blackboard after the due date.

7) The homework average (without the lowest grade) has a weight of 15% in your final grade.
**Quizzes:** there will be a total of six quizzes in the semester.

1) Quizzes will take place during first 5 minutes of class (see the chart below for the specific days).

2) If you do not take a quiz you get zero.

3) Quizzes represent 10% of the final grade.

4) Each quiz consists of one or two easy question about the most important topics of the previous two classes. You may want to review your notes before class.

5) When calculating the average quiz grade I will drop your lowest quiz grade.

<table>
<thead>
<tr>
<th>Highest Exam Grade</th>
<th>30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second Highest Exam Grade</td>
<td>25%</td>
</tr>
<tr>
<td>Third Highest Exam Grade</td>
<td>20%</td>
</tr>
<tr>
<td>Homework Average (w/out lowest grade)</td>
<td>15%</td>
</tr>
<tr>
<td>Quiz Average (w/out lowest grade)</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Total..................100%**

**Attendance**

I will take attendance starting on the first day of class by university regulations. However, attendance for extra points will start on Tuesday August 30th 2011. 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:

1) **If you do not miss any classes, you will receive a bonus of 3 points out of 100 in your final grade.**

2) **If you only miss one class you will receive a bonus of 2 points.**

3) **If you miss two classes you will only receive 1 extra point.** For example, imagine your final grade was 85 after all homework, exams and quizzes. If you did not miss any class then I would add 3 points for a final grade after attendance of 88 and a letter grade of A.

4) **The only valid excuse for an absence not to be counted is to present a doctor’s note saying that you were ill during the days of the class.**

5) You also get extra points for NOT coming to class. **If you only come to three classes or less you will get 3 extra points.** Not coming to class implies not showing up at all. If you come and leave early then it is counted as an absence but it is not counted as “not coming” to class. However, if you decide to not come to class or leave early you do so in the understanding that you are waving your right to ask me questions about the lecture you missed.
6) Notice that you are not required to attend class but if you decide to come you must not disturb the class.

**Crossword Puzzles**

You can also get extra points in the *partial exams* by doing the crossword puzzles. The crossword puzzle will be assigned before each partial exam and gives you the opportunity to increase your grade in the upcoming exam. You will have around ten days to do it.

**Other Extra Points**

During the semester you will have opportunity to gain one extra point in your final grade by undertaking different assignments that I will assign during the semester.

**Final Numerical and Letter Grade.**

The final numerical grade is calculated as follows:

\[
\text{Final Numerical Grade} = \left[ \text{Homework Average without the lowest grade} \times 0.15 \right] + \left[ \text{Quiz Average without the lowest grade} \times 0.1 \right] + \left[ \text{Highest Exam Grade} \times 0.3 \right] + \left[ \text{Second Exam Midterm Grade} \times 0.25 \right] + \left[ \text{Third Highest Exam Grade} \times 0.2 \right] + \left[ \text{Attendance Points (if any)} \right] + \left[ \text{Extra Points (if any)} \right]
\]

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.**

<table>
<thead>
<tr>
<th>Final Numerical Grade</th>
<th>Final Letter Grade</th>
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</thead>
<tbody>
<tr>
<td>87 to 100</td>
<td>A</td>
</tr>
<tr>
<td>77 to 86</td>
<td>B</td>
</tr>
<tr>
<td>67 to 76</td>
<td>C</td>
</tr>
<tr>
<td>57 to 66</td>
<td>D</td>
</tr>
<tr>
<td>Less than 57</td>
<td>F</td>
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</tbody>
</table>
Grade Calculator

I understand that grades are very important. In Blackboard there is a link that will take you to a grade calculator that I have developed for the class. In this calculator you can input the grades of each homework, quiz and midterm and it will compute your final numerical and letter grade. Clearly, you do not know what grades you have in some items because you have not done in those cases just input an expected grade (that is a grade you think you can make). This is a tool to help you figure out how you are doing in the class and the find out what grades you need to get to obtain certain letter grade.

Important Dates

Exam I   September 27th
Exam II  November 1st
Exam III December 8th
Final Exam December 13th 11:00 to 1:00 PM

Electronic Devices

During class you can use electronic devices as long as you are not disturbing/distracting me or other students. Please use common sense. If I find your use of electronic devices distracting or disturbing I will ask you to leave the classroom. According to university regulations any communication device during exams must be hidden from view. This means not only that you CANNOT use your mobile phone as a calculator during exams but also that it must not be visible.

Religious Holidays

The student, not later than the 4th class day after the first day off the semester, must notify the instructor of each scheduled class day he/she will be absent for a religious holy day. Request forms are available in the Department of Economics office in SHB 232. The form must be personally presented to the instructor or sent certified mail, return receipt requested, within the time limits established. Students who are absent from a class for observance of a religious holy day will be allowed to make-up the examination or complete the assignment scheduled for that day within one week of returning to class.

Disable Student Policy

It is the policy of Sam Houston State University that no otherwise qualified disabled individual shall not be excluded, solely by reason of his/her disability, from participation in any academic program of the University. Further, they shall not be denied the benefits of these programs nor shall they be subjected to discrimination. Students with disabilities that might affect their academic performance are expected to visit with the Office of Services for Students with Disabilities located in the Counseling Center. They should than make arrangements with their individual instructors so that appropriate strategies can be considered and helpful procedures can be developed to ensure that participation and achievement opportunities are not impaired. SHSU adheres to all applicable federal, state, and local laws, regulations, and guidelines with respect to
providing reasonable accommodations for students with disabilities. If you have a disability that may affect adversely your work in this class, then I encourage you to register with the SHSU Counseling Center and to talk with me about how I can best help you. All disclosures of disabilities will be kept strictly confidential.

**Email Policy**

During the semester I will be sending emails to the students in the class. The emails are sent to your SHSU account, it is YOUR responsibility to make sure that you have a working SHSU email. I am always glad to receive email from my students. When you send me an email please help me by:

1) Putting your first and last name, class name and meeting time  
2) If you are asking a question about a topic covered in class try to be specific.

Finally, I will try to answer emails as soon as I can but you have to understand that sometimes I am unable to do so (specially during weekends).
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>August 25</td>
<td>First Day of Class</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Practice Midterm Post on Blackboard</td>
</tr>
<tr>
<td>Thursday</td>
<td>Crossword Puzzle Due</td>
</tr>
<tr>
<td>September 1</td>
<td>Homework 1 Due</td>
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<tr>
<td>Thursday</td>
<td>Quiz 1</td>
</tr>
<tr>
<td>September 22</td>
<td>EXAM I</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Crossword Puzzle Due</td>
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<tr>
<td>September 27</td>
<td>Homework 2 Due</td>
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<tr>
<td>Thursday</td>
<td>Quiz 2</td>
</tr>
<tr>
<td>September 30</td>
<td>Homework 3 Due</td>
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<tr>
<td>Tuesday</td>
<td>Quiz 3</td>
</tr>
<tr>
<td>September 15</td>
<td>Crossword Puzzle Due</td>
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<tr>
<td>Thursday</td>
<td>Homework 4 Due</td>
</tr>
<tr>
<td>September 18</td>
<td>EXAM II</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Quiz 4</td>
</tr>
<tr>
<td>September 22</td>
<td>Homework 5 Due</td>
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<tr>
<td>Thursday</td>
<td>Quiz 5</td>
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<tr>
<td>October 1</td>
<td>Homework 6 Due</td>
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<tr>
<td>Thursday</td>
<td>Quiz 6</td>
</tr>
<tr>
<td>November 1</td>
<td>Crossword Puzzle Due</td>
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<tr>
<td>Tuesday</td>
<td>Homework 7 Due</td>
</tr>
<tr>
<td>November 8</td>
<td>EXAM III</td>
</tr>
<tr>
<td>Thursday</td>
<td>Crossword Puzzle Due</td>
</tr>
<tr>
<td>December 13</td>
<td>Final Exam 11:00-1:00 PM</td>
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</tbody>
</table>
Outline

Topic I. Introduction to Macroeconomics and GDP Definition.  
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 II. Why is GDP important?  
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 III. GDP components.  
1. Consumption  
2. Investment  
3. Government purchases  
4. Net exports  
5. External sector  
6. Balance of payments, trade deficit, capital account and current account

Topic IV. GDP approaches  
1. Spending approach  
2. Value added approach  
3. Income approach

Topic V. Nominal and Real GDP  
1. Nominal GDP  
2. Real GDP  
3. GDP deflator  
4. Price level  
5. Deflating  
6. Monetary value today  
7. Consumer Price Index
Topic VI. Long-run economics growth  
Textbook Chapter: 25

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

Topic VII. 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 and Ricardian equivalence

Topic VIII. Unemployment.  
Textbook Chapter: 28

1. Labor market
2. Measuring unemployment
3. Unemployment rate
4. Labor market in the US
5. Unemployment duration
6. Employment to population ratio
7. Unemployment types.
8. Recent economic crisis and unemployment

Topic IX. Money supply, central bank, inflation and monetary policy  
Textbook Chapter: 29, 30 & 35

1. Money functions
2. Types of money
3. Measurements of money
4. Money creation mechanism.
5. Federal reserve system
6. Monetary Policy
7. Inflation as a tax and its inefficiencies
8. Quantity theory of money
9. Phillips curve
10. Equilibrium in the money market.
11. Interest rate.
Topic X. Fiscal Policy.  
(no textbook chapter for this topic use class handout instead)

1. Federal Budget
2. Government revenues and taxes
3. Government expenditures
4. Taxes by income groups
5. Government debt
6. Foreign sector, savings and crowding out
7. Ricardian equivalence.
8. Business cycle and government deficit
9. Fiscal policy

Topic XI. Aggregate demand and supply and government policies  
Textbook Chapter: 33 & 34

1. Aggregate demand and supply
2. Prices
3. Long and short run aggregate supply.
4. Shifts in aggregate demand
5. Government policies