

Darren Grant
ECO 2013-01
Principles of Macroeconomics
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Just as microeconomics is the study of economics as it relates to small creatures like spiders, birds, and mice, macroeconomics is the study of economics as it relates to large animals, like bears and elk. This class has three primary goals: 1) to familiarize you with basic facts about the United States economy, its history over the last seventy or so years, and basic macroeconomic institutions such as the Federal Reserve Board or the International Monetary Fund, 2) to interpret macroeconomic activity in terms of a simple graphical model, and 3) to present the primary schools of macroeconomic thought active today.

Be advised that knowledge of algebra--especially graphing--is needed for success in the course, particularly for goal #2 above, and is assumed known.

Please do not confuse this class with a "survey" class, such as those many students take in the process of fulfilling their basic studies requirements. In the economics department, that class is ECO 2001. ECO 2013 is a "core" class, analogous to Business Calculus for business majors, Physics 3048C for math and physics majors, or Music Theory for music majors. Core classes usually place less emphasis on the acquisition of knowledge per se, and more emphasis on broader cognitive development, than survey classes do. (That is, they're tougher.)

In this class, about ½ the material is basic factual knowledge, which can simply be memorized. The other half consists of the "broader cognitive development" stuff, such as: understanding the viewpoints of different economists on the likely effects of a particular policy action, or interpreting what happens during a recession in terms of a graphical model. Study strategies which may be appropriate for survey classes, such as memorization, or merely reading and re-reading the book, will not serve you well on this material. I strongly encourage you to work the problems offered to you in class, in the back of the book, and in the coursebook.

My tests will reflect this split of material in the class. About half of each test will consist of multiple choice questions, which are primarily designed to test simple factual knowledge. The other half of the test will consist of short answer, computational, or graphing questions designed to test the "broader cognitive development" stuff. These questions will reflect skills developed in the homeworks. I make no apologies for assigning a significant amount of written homework, and expecting you to do it; your tests will be graded in accordance with these expectations.

In the summer, there are roughly 30 class days, and roughly fifteen chapters to be covered. This means you should read one chapter (approx. 2 hours) every other day; on the off days you should spend the same amount of time working homework problems.

Text: Gwartney and Stroup, Economics: Private and Public Choice. Accompanying coursebook pretty much required.

Getting

Help: My office hours are 3:30 - 5:00, Monday and Thursday. I will be sure to be in my office then. However, you welcome to stop by my office anytime the door is open. I will often be in during the afternoons, say, after 1. I have no phone. To reach me, call the Economics Department at 644-5001 and leave a message.

Being

Here: I require attendance. Here's the scoop: I subtract one point off your final average for each unexcused absence. However, I only do this when you have acquired (at least) 6 absences--excused or unexcused. It is your responsibility to sign the roll each day. Generally, excused absences require doctor's excuse (not health center) for yourself or a dependent's illness.

Grades: 2 tests. The second test is not cumulative. Your best test is worth 50% of your grade; the worst is worth 40%. The final 10% of your grade will be determined by your choice of a short written paper or an act of classroom participation such as going over a set of homework problems in front of the class. The grading scale is given below:

100-92 A	81-80 B-	69-68 D+
91-90 A-	79-78 C+	67-62 D
89-88 B+	77-72 C	61-60 D-
87-82 B	71-70 C-	59-0 F

Fractions of a point may be rounded up or down at my discretion. I generally do not curve.

Makeups: There won't be any, because you won't miss the tests. If you know now you can't make one of the tests, drop the course or transfer to another section. Valid excuses like serious illness, or death in the family will require written documentation. Notes from the Health Center will not be accepted. You may be able to take an exam early; come see me.

Dates to

Remember: Mon., May 29 -- No Class. Memorial Day.
Fri, May 26 -- Test 1, Covering Units 1 and 2.
Fri., June 16 -- Test 2, Covering Units 3 and 4.

SCHEDULE AND TOPICS OF STUDY. There are four units, each covering several chapters of your textbook. We will take one class day to go over the homework problems from each unit. Each test will cover two units of material.

Unit 1: Facts about the Macroeconomy; Macroeconomic Institutions. (May 8 - May 16)

- I. Gauging Economic Activity (Ch. 6-7)
 - A. Income Measures
 - B. Price Indexes
 - C. Business Cycles and Economic Growth
 - D. Unemployment
 - E. Inflation

- II. Government and the Macroeconomy. (Ch. 5)
 - A. Government Expenditures
 - B. Government Receipts, Taxes.

- III. Money and the Banking System (Ch. 12)
 - A. Functions of Money
 - B. Composition of the Money Stock
 - C. Creating Money

- D. Anatomy of the Federal Reserve System
- E. Instruments of Monetary Control
- F. The Savings and Loan Crisis

Unit 2: Simple Macroeconomic Models. (May 17 - May 25)

- IV. The Aggregate Demand / Aggregate Supply Model (Ch. 3, 8-9)
 - A. Key Macroeconomic Markets
 - B. Aggregate Demand
 - C. Aggregate Supply
 - D. Short and Long Run Equilibrium
 - E. Aggregate Demand and Supply Shifts
 - F. AD / AS Interpretation of the Business Cycle

- V. Keynesian Modifications of the AD/AS Model. (Ch. 10)
 - A. Consumption
 - B. Investment
 - C. Aggregate Demand and Supply
 - D. The Multiplier

Unit 3: Policy. (May 30 - June 6)

- VI. Monetary Policy (Ch. 13-15)
 - A. The Demand for Money
 - B. The Quantity Theory of Money
 - C. Expectations and the Effectiveness of Policy
 - D. Phillips Curves in the Short and Long Run
 - E. Rules vs. Discretion--Views on Policy Activism

- VII. Fiscal Policy. (Ch. 11, 16)
- A. Government Deficits and Surpluses
 - B. Countercyclical Fiscal Policy
 - C. Crowding Out
 - D. New Classical Model
 - E. Deficits and the National Debt
 - F. Government Debt, Investment, and the Balance of Trade in the Short and Long Run

Unit 4: International Economics. (June 7 - June 15)

- VIII. Gains from Trade and Comparative Advantage (Ch. 2, 31)
- A. How Large is the Trade Sector?
 - B. Absolute and Comparative Advantage, and Trade
 - C. Tariffs and Quotas
 - D. GATT and NAFTA
- IX. Introduction to International Finance. (Ch. 32)
- A. The Foreign Exchange Market and Exchange Rates
 - B. Balance of Payments

☺☺ **DARREN GRANT'S AMAZING NOTE TAKING TIPS** ☺☺

Too many students come to me with notes that are comprised solely of stuff copied off of the blackboard. Often these notes are almost incomprehensible, and of little use to the student. The stuff off the blackboard needs to be augmented with information from my lecture that I do not write up on the blackboard. When taking notes, you should write down enough stuff to illustrate the main point I am trying to get across. The stuff I write on the blackboard, by itself, generally does not fully illustrate the main point I am trying to communicate.

Often a lecture will consist of about three "main points", often following (broadly) the outline given to you above. (Another place to find the "main points" is in the chapter summaries at the end of each chapter of your text.) As you listen to my lecture, you should attempt to do these three things:

1. Try not to fall asleep. Taking notes is **exceptionally** difficult when you're asleep.
2. Decide, "What is the main point he is trying to get across here?"
3. Write something down in your notes that illustrates the main point. Your notes should be structured such that you identify each main point clearly, and then write some supporting material about each. To illustrate, I will use the classic "Seinfeld" episode where everyone goes to visit Jerry's friends, who just had a new baby, in the Hamptons.

Seinfeld, Apr. 7 1994.

1. Beauty is in the eye of the Beholder.

The baby's parents think it is beautiful, while Jerry and his friends think it is hideously ugly. Furthermore, the pediatrician calls it "breathtaking," but also applies the same adjective to Elaine, thus further stressing the subjectivity of "beauty." In the television episode, much mirth is made of this fact.

2. Don't steal lobsters from the ocean.

Kramer steals some lobsters from a cage in the ocean. Kramer is stealing the basis of a fisherman's livelihood; namely, live sea critters in the ocean. He is arrested and made to do forced labor for this, demonstrating that one should not steal lobsters. Furthermore, Jerry's Jewish girlfriend Rachel is tricked into eating the lobsters, which of course are not kosher, thus further underlining the evil in stealing lobsters.

3. Jealousy will get you nowhere.

George's girlfriend Jane takes off her top in front of Jerry, Kramer, and Elaine. George is jealous and attempts to "get back" at Jerry in an inappropriate manner which will not be discussed here. To make a long, long story short, this results in big trouble, ultimately leading Jane to question George's masculinity and return to New York early. Therefore George's jealous actions ultimately backfire on him. All this demonstrates that jealousy is a bad thing.

As you can see from this example, good class notes should read like "Cliff's Notes." This should be a heartwarming thought! Now get out your pencils and start writing!!