

ECON 111: PRINCIPLES OF MACROECONOMICS

FALL 2012

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Office Hours: Monday 8:00-9:00am, Tuesdays, 2:00-4:00pm, Wednesdays 1:00-3:00pm (& by appointment as needed)

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Course Information: Section 1847—Mondays 9:00-11:50am, Smith Decision Center 1908

Textbook: Pearson Custom Business Resources for Econ 111, also known as *Macroeconomics*. 3rd edition, by R. Glenn Hubbard and Anthony Patrick O'Brien (Pearson Prentice Hall), 2009.

Course Description: This course addresses the “study of the workings of the economy. Topics include national income accounting, business cycles, employment and unemployment, inflation, economic growth, financial institutions, fiscal and monetary policy, and international trade.”¹

Course Learning Outcomes: Upon completion of this course, you will be able to

1. Explain the workings of the national economy²
2. Describe and apply the scientific method to economic behavior
3. Interpret aggregate measures of economic activity
4. Describe the problems of unemployment and inflation
5. Evaluate the costs and benefits of alternative forms of public policy

The Skinny: We have two goals in any principles course. First, we must define the terms and concepts, so that we understand each other in discourse. Second, we must acquaint ourselves with our discipline, its accepted methods, common understandings, and disputes. The second purpose is a lot more fun, but is nigh-on impossible to complete without the first. It is very difficult to have an opinion as to whether the Fed should raise interest rates without knowing how it does that and what might happen if it did. As such, we will spend a lot of time on the *hows* and *whats* of macroeconomics—how do interest rates work, what is GDP, who counts as unemployed—and significantly less time on the *whethers*—should the Fed engage in additional quantitative easing, how quickly should the federal government balance its budget?

There are good reasons outside of being an economist to understand macroeconomic principles. Most information that everyday people use to judge how “the economy” is doing is measured and kept by the federal government. In order to understand how “the economy” is doing, we need to understand how these items are measured. Furthermore, this year’s election notwithstanding, macroeconomics really does enter into political debates! We require a rudimentary understanding of macroeconomics in order to determine whether the arguments we hear are sound or are excrement.³

¹ California State University Channel Islands 2012-2013 Course Catalog, pp. 237.

² Economists have been arguing about the fundamental underlying model of how a nation’s economy works for several hundred years, and while there’s been some progress, there’s still substantial disagreement. This state of affairs isn’t changing in the next 15 weeks, so you’ll have to live with ambiguity.

³ Nine-tenths of all economic arguments made by elected officials or candidates are excrement, or at least very foul. The

Grades: The grades you earn will reflect the degree to which you have absorbed the information as well as your ability to employ it in analytical tasks. I use the +/- system for grades; while people who get an 89 and a 91 are substantially similar in terms of the learning they have accomplished, people who get an 89 and an 81 are not. You deserve to have that reflected in your grade. I round to the nearest tenth of a percentage point on the final grade, and use “top 3/bottom 3” for pluses and minuses. Because I measure your performance against an absolute standard, rather than a relative ranking amongst your peers, please do not expect a “curve.”

I have four methods for determining how well you understand macroeconomics: tests (two midterms, one final), quizzes, assignments, and participation. The weights I assign each method:

First Exam	25%
Second Exam	25%
Final Exam	30%
Quizzes/Assignments	15%
Participation	5%

Some thoughts on each method:

Exams. Exams allow me to see your breadth and depth of knowledge all at once, and let me see it for each of you. But they take at least an hour to administer and a weekend to grade. Thus there are few exams, but they make up the bulk of your grade. Because everybody can have a bad day, you can move weight from earlier exams to later exams. You can transfer up to 5 percentage points of weight from the first exam to the second or third. You can also move weight from the second to the third exam. You must do this AFTER receiving the results of the earlier exam but BEFORE receiving the next exam. You may do this as late as the day of the latter exam, but not after receiving the latter exam.

Quizzes. Quizzes are shorter than exams, but they limit my ability to assess your depth and breadth of knowledge (usually I have to choose one). All quizzes will be worth the same in determining your grade, but some will be longer than others. I don't like multiple choice; they'll usually involve some writing and some graphs (I like graphs) and be announced.

Assignments. Assignments will also contribute to your grade, but are worth much less than quizzes. These will tend to be easy tasks that require you to find data or documents, then manipulate the data or discuss the document. There are also assignments that help you synthesize the readings and lecture notes. They are helpful to me in that they show me that you understand that this information applies to the real world.

Participation. As participation can be measured instantaneously, it has serious time advantages. It does not, however, allow for depth or breadth, and I cannot have all of you answer the same question in front of class. As such, it gets some weight, but not much. It is possible, however, to earn “extra credit” through participation. I discuss this under “Experiments” below. Displays of chutzpah, panache, knowledge of current events, humor, and moxie never hurt!

other tenth is a glimmer of an honest comment that a political consultant somewhere is working hard to snuff out.

Experiments: We will do classroom activities many weeks; these are similar to actual economics experiments that researchers have run in the lab. As subjects, you will earn your grade. Sometimes you will, by nature of the experiment, earn more than 100% in a particular experiment. Sometimes you will earn cash or items instead. As for how this will work, all I can tell you is, “wait and see.” A brief note here: due to two obvious constraints (space and money), it is very difficult to run experiments that test ideas in *macroeconomics*. Thus, we have somewhat fewer items to choose from, and those of you who ever take my *microeconomics* course may feel the macro-folks get short shrift. All I can say is: I feel your pain. We will do what we can with what we’ve got.

Attendance: Attendance is essentially, though not actually, mandatory. Quizzes and exams take place during class. Without getting your absence excused, you will get a zero on missed tests or quizzes. If you are picked to participate in an experiment and you’re absent and unexcused, that lowers your participation grade. Excuses are valid for health, university events, work, or the death of family. I may require additional confirmation for the death of family and for work.⁴

Make-Up Exams or Quizzes: There are 2 midterms during the semester. The dates listed with the schedule of topics are subject to change. You are responsible for any changes in the schedule announced in class. In the case of a missed exam, the final exam score will replace your missed midterm score *provided your absence was excused*. Unexcused absences from exams result in a grade of zero. In the event that you miss a quiz, you will receive a zero. Excused absences allow you to double the value of the next quiz (i.e., allow it to count for the missing grade). Regardless of the reason for missing a quiz or exam, no make-up will be given. In the event that you anticipate a conflict associated with a university-sponsored event in advance of an exam, contact me to discuss the possibility of arranging an alternative time to take the exam at least two classes prior to the scheduled exam date.

Grade appeals: If you believe that I misgraded your exam, quiz, or assignment, you may submit a written appeal no later than 2 classes after I return the exam or quiz. Attach the relevant exam or quiz along with a written explanation of the appeal. I will respond in writing. If there is still a disagreement, we can meet during my office hours.

Office Hours: My office hours are listed at the top of the syllabus. Do come visit; I get lonely. Also, I’m very helpful when it comes to clarification of lecture notes, the text, assistance with homework, or general advice on studying. If you cannot meet during office hours, contact me to set up an appointment. Be prepared when you visit; the more you have reviewed the material before coming to me, the more helpful I can be to you. And don’t forget: everybody else wants to talk to me right before the exam, too. It is easier to answer a question once than several times over. Form cabals.

E-mail: Throughout the semester, I will send you email with course announcements to your CI email address. If you regularly use another address, please set up email forwarding. Please do send email to ask questions about course material (e.g. clarification of lecture notes, homework problems, etc.); you can also come see me! On the other hand, please do not send email asking questions that are already addressed in the syllabus, posted on Blackboard, or announced in class (e.g. exam dates,

⁴ Many students seem to have an unusually large number of great aunts and uncles to whom they were particularly close, and bosses who are demanding *at the precise moment* that I give exams. Weird, right?

office hours, grades). Finally, be aware that the University has a spam filter that may screen out email sent from third-party email providers (e.g. yahoo, hotmail). It's best to send me email from your CI account to my CI account.

Blackboard: I use Blackboard to post everything. It's not perfect, but it works. Please become accustomed to checking Blackboard at least daily.

Disability Accommodations: Channel Islands is committed to equal educational opportunities for qualified students with disabilities in compliance with Section 504 of the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) of 1990. The mission of Disability Accommodation Services is to assist students with disabilities to realize their academic and personal potential. Students with physical, learning, or other disabilities are encouraged to contact the Disability Accommodation Services office at (805) 437-8510 for personal assistance and accommodations.

Academic Honesty: I love a good heist movie, but I hate cheaters and plagiarizers with a hatred as hot as the heat of a thousand suns. If you cheat in my class, know that I am coming for you:

1. Academic dishonesty includes such things as cheating, inventing false information or citations, plagiarism and helping someone else commit an act of academic dishonesty. It usually involves an attempt by a student to show possession of a level of knowledge or skill that he/she does not possess.
2. Course instructors have the initial responsibility for detecting and dealing with academic dishonesty. Instructors who believe that an act of academic dishonesty has occurred are obligated to discuss the matter with the student(s) involved. Instructors should possess reasonable evidence of academic dishonesty. However, if circumstances prevent consultation with student(s), instructors may take whatever action (subject to student appeal) they deem appropriate.
3. Instructors who are convinced by the evidence that a student is guilty of academic dishonesty shall assign an appropriate academic penalty. If the instructors believe that the academic dishonesty reflects on the student's academic performance or the academic integrity in a course, the student's grade should be adversely affected. Suggested guidelines for appropriate actions are: an oral reprimand in cases where there is reasonable doubt that the student knew his/her action constituted academic dishonesty; a failing grade on the particular paper, project or examination where the act of dishonesty was unpremeditated, or where there were significant mitigating circumstances; a failing grade in the course where the dishonesty was premeditated or planned. The instructors will file incident reports with the Vice Presidents for Academic Affairs and for Student Affairs or their designees. These reports shall include a description of the alleged incident of academic dishonesty, any relevant documentation, and any recommendations for action that he/she deems appropriate.
4. The Vice President for Student Affairs shall maintain an Academic Dishonesty File of all cases of academic dishonesty with the appropriate documentation.
5. Student may appeal any actions taken on charges of academic dishonesty to the "Academic Appeals Board."
6. The Academic Appeals Board shall consist of faculty and at least one student.
7. Individuals may not participate as members of the Academic Appeals Board if they are participants in an appeal.
8. The decision of the Academic Appeals Board will be forwarded to the President of CSU Channel Islands, whose decision is final.

Tentative Schedule: You are responsible for knowing when I change the schedule, which I shall do via Blackboard (often I will also announce it in class prior to doing so). Also, I have put the chapter numbers for both the course packet and the original text (in parentheses), just in case.

Chapter 3 (8). GDP: Measuring Total Production and Income
Chapter 4 (9). Unemployment and Inflation
Chapter 5 (10). Economic Growth, the Financial System, and Business Cycles
Chapter X (11). Long-Run Economic Growth: Sources and Policies (Will post online; not in packet)
FIRST EXAM
Chapter 6 (12). Output and Expenditure in the Short Run
Chapter 7 (13). Aggregate Demand and Aggregate Supply Analysis
Chapter 8 (14). Money, Banks, and the Federal Reserve System
Chapter 9 (15). Monetary Policy
Chapter 10 (16). Fiscal Policy
SECOND EXAM
Chapter 11 (17). Inflation, Unemployment, and Federal Reserve Policy
Chapter 12 (18). Macroeconomics in an Open Economy
Chapter 13 (19). The International Financial System