

University of Minnesota
Department of Economics

Summer 2008

Economics 1102, Sec. 003: Principles of Macroeconomics

Lectures:

4:40pm - 7:40pm Monday, Tuesday, Wednesday, Thursday, Friday in Blegen Hall 255

Instructors

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Textbook

Lecture Notes In Introductory Macroeconomics by Christos A Ioannou.

Macroeconomics by Campbell McConnell and Stanley Brue, 17th Edition, ISBN: 978-0073273.

Course Description

Econ 1102 is an introductory course in economics. It acquaints students with the basic tools in macroeconomics including opportunity cost, debts, inflation, unemployment, the role of central banks, savings and investments, budget and trade deficits, GDP, exchange rates, and fiscal and monetary policies to name some. Basic macroeconomic tools and concepts are essential in understanding the “economic way of thinking” in a world with country interdependencies, multinational firms, and an increasingly open global economy. The concepts offer important insight into a variety of social, economic, and country interactions. Furthermore, economic problems can be viewed from many angles, and can be remedied in different ways, depending on the existing conditions and the underlying philosophy.

Coursework

Homework assignments are due at the beginning of class on the dates listed; no late assignments will be accepted. If you know in advance, that you will not be able to attend the class to submit the homework, please speak to the instructor before the homework is due. Department Policy requires that all assignments be typed or will earn a maximum grade of 75%. Graphs and calculations may be handwritten, but must be clearly written. You may work with others; however, each student must write up their own version of the solution, and must acknowledge who they collaborated with on the last page of the homework. Do not submit identical/similar homework; this will result in a zero for both individuals. Homework will be returned during lecture. If you do not attend the lecture, please contact the instructor about acquiring the homework. There will be 4 homework assignments, each earning 5% of the final grade. There will be 1 *midterm* earning 40% of the final grade. The *final exam* is mandatory and earns another 40% of the final grade.

Note that if you disagree with the grading of an assignment or midterm, please submit the discrepancy to the instructor with a short written argument for why you should be awarded more points. Any disputes must be submitted within one week of receiving the graded assignment/exam.

There will be no *make-up exams*. This means that in case you can provide documentation for a medical emergency, we will consider putting the weight on the final exam. There will be a make-up final exam only in case that a student has 3 exams during a 16-hour period or a documented medical emergency. The date will be announced later.

Grading Scale

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

* At our discretion, the scale could be lowered but not raised.

Important Dates

July 17: Homework 1 due

July 21: Homework 2 due

July 25: Midterm

July 31: Homework 3 due

August 5: Homework 4 due

August 8: Final exam - 6:30pm - 8:30pm

Student Responsibilities

i) Academic Dishonesty

The University Student Conduct Code defines scholastic dishonesty as follows: Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering, forging, or misusing a University's academic record; or fabricating or falsifying data, research procedures, or data analysis.

Within this course, a student responsible for scholastic dishonesty can be assigned a penalty up to and including an "F" or "N" for the course. If you have any questions regarding the expectations for a specific assignment or exam, ask. For additional information, please check the Office for Student Academic Integrity website at www.osai.umn.edu.

ii) Student Conduct

In addition, students are expected to maintain a calm and productive learning environment. If you are unsure of what is expected of you, please see the Student Conduct Code, available at www.sja.umn.edu/conduct.html for a more elaborate review.

iii) Disabilities

Students with disabilities must be registered with the Disabilities' Services of the University, and the Department of Economics in conjunction with the Disabilities' Services, will make appropriate accommodations to students with disabilities. Please contact <http://ds.umn.edu> for further information.

Day	Lecture	Topics
14-Jul	1	Revision of microeconomic concepts. Brief introduction to gross domestic product, unemployment, inflation.
15-Jul	2	Unemployment; ratios, types of unemployment, full employment, underemployed, discouraged workers.
16-Jul	3	Economic costs of unemployment. Counting the unemployed. Full employment.
17-Jul	4	Inflation. Purchasing power. Economic policies. Calculating inflation. Homework 1 due.
18-Jul	5	Aggregate demand; components. Disposable income & consumption. Marginal propensity to consume.
21-Jul	6	Factors affecting consumer spending. Factors affecting net exports. The expenditure schedule. Homework 2 due.
22-Jul	7	Multipliers; oversimplified multipliers; Exports, imports & the multiplier. Variable taxes. Tax multipliers. Foreign spending multiplier.
23-Jul	8	Marginal propensity to import. AS-AD equilibrium.
24-Jul	9	Inflationary gap. Recessionary gap. Fiscal Policy. Ways to eliminate inflationary gap. Ways to eliminate recessionary gap
25-Jul	10	Review; Midterm
28-Jul	11	Money; definitions. Banking and the money supply. Bank regulation. Money creation. T-accounts. Cash deposit multiplier.
29-Jul	12	Monetary policy; open market operations; required reserve ratio; interest rates. The federal reserve bank.
30-Jul	13	Shifts in money supply and money demand. Federal funds rates. Debates; fiscal versus monetary policy. Deficit versus debt. National debt.
31-Jul	14	Budgeting for a deficit. Crowding out effect. Monetizing the deficit. Homework 3 due.
1-Aug	15	Tradeoff between inflation and unemployment. Philips curve in the 70s.

Day	Lecture	Topics
4-Aug	16	International trade. Reasons for restriction of free-trade.
5-Aug	17	Absolute and comparative advantage. World-trade equilibrium. Homework 4 due.
6-Aug	18	Exchange rates. Floating and fixed exchange rates. Balance of payments.
7-Aug	19	Interdependencies. Review.
8-Aug	20	Final Exam 6:30 pm - 8:30 pm in class