

**Sacramento City College**  
**Economics 302**  
**Principles of Macroeconomics - International**

**Spring 2008**

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**Scope and Objective:** This may be (one of) the most important course you take in your college career. You live in a world of economics – of unemployment, inflation, interest rates, fiscal and monetary policies, and budget and trade deficits. Most people have only a general (mis)understanding of how the economy works. We shall fill this important gap because economics is not just some esoteric theoretical fantasy (although you may question this at times). Economics is the study of the world in which you live. If you do not understand economics, you are ill prepared to deal with that world.

Macroeconomics is concerned with the behavior of the economy as a whole – with recessions and booms, the economy’s total output of goods and services, the rates of unemployment and inflation. To study the overall performance of the economy, macroeconomics focuses on the economic policies and variables that affect economic performance – on monetary and fiscal policies, the money supply and interest rates, exchange rates with appreciating and depreciating currency values, the federal government budget and national debt, global markets for money and labor, balance of trade, and shifting balances in economic power across nations. In brief, macroeconomics deals with the major economic issues and problems of the day.

The goals of the course are to present modern economics in a form that is intuitive, interesting, and useful for students and to help students gain insight into how the economy works and how it might work better. Economics is a serious, lively, and evolving science. My envy goes out to you, setting out to explore the exciting world of economics for the first time. This is a thrill that, alas, you can experience only once in life. Enjoy the journey and bon appetit!

**Text:** the required text for the course is McConnell and Brue, Macroeconomics, 17<sup>th</sup> edition (McGraw-Hill). In macroeconomics, texts are not interchangeable. The approach and methodology may differ in important fundamental ways. The website that accompanies this text is recommended for those planning to do well in the course and for those finding the material difficult. The study guide will also be a useful resource.

**Office:** My office is Business 111, the phone number is 558-2000, and email is [roseq@scc.losrios.edu](mailto:roseq@scc.losrios.edu). Office hours are MWF 7:30 to 8:45 a.m., TuTh 7 to 7:30 a.m. (main campus), TuTh 8:20 to 8:50 p.m. (Davis Center) and by appointment. Additional office hours will be the first Friday each month during the semester from 9:00 to 10:00 and the Friday prior to finals week. If you wish to discuss course materials or other matters please feel free to use this resource. I would prefer to see you prior to examinations and problem sets so that we can determine methods to enhance success, rather than after the exam given lack of success.

**Grades:** There will be three fifty minute examinations and a comprehensive final. Term examinations account for 62.5% of the grade; the final is 22.5% of your mark. Problem sets, quizzes, reports, and class participation make up the remaining 15%. Problem sets and all other assignments are due on time and will **NOT** be accepted late. You are expected to take quizzes and exams at the scheduled time and there are **NO** make-up examinations. The grading scale is as follows: A: 85% and above of the total points; B: 75% to 84.9%; C: 65% to 74.9%; D: 55% to 64.9%; F: <55%.

## Learning Outcomes and Objectives

Upon completion of this course, the student is to be able to:

- understand the way individuals, societies, businesses and nations deal with the reality of scarcity.
- demonstrate how people must make decisions and face tradeoffs and the consequences associated with choices and cost.
- show how economic entities, from an individual to the world markets, can be made better off through trade.
- understand markets and the efficiency of the market mechanism as a way to organize economic activity.
- provide a rationale for and caution against governmental interaction in the economy and markets.
- demonstrate the understanding that society faces a short-run tradeoff between unemployment and inflation.
- demonstrate the reality that the primary long-run goal is economic growth and this is determined by an economy's ability to produce goods and services and operate efficiently.
- understand the major economic issues of the day: unemployment, inflation, interest rates, monetary policy, fiscal policy, the national debt, and international trade.

**Policies:** (i) Academic honesty is expected; policy is to assign a grade of zero to any exam or assignment upon which cheating occurs. Furthermore, for this course, the total of all points received on exams not compromised by cheating will be multiplied by the score received on the exam/assignment where cheating or plagiarism occurred to determine the final grade.

(ii) District and college policy provides that only enrolled students may attend classes.

(iii) Student participation and attendance facilitates learning for themselves and others. The attendance standard as announced and as given in the college catalog is required and students not fulfilling this requirement will be dropped. Students are expected to attend all sessions of classes in which they are enrolled. A student having excessive absences may be dropped from any course by the instructor any time during the semester. Excessive absences are defined as 6% of the total class periods. Excessive absences after the drop date will lead to a 1.0 reduction (per absence) in the assigned grade. A choice not to call roll should not be construed as a failure to track attendance.

(iv) You are expected to come to class on time and remain for the period, otherwise an absence. (v) You are expected to come to class prepared to discuss the assigned reading. (vi) Please provide sufficient time and verification if accommodations are necessary. (vii) Phone and pagers are to be turned **OFF** and put away during the entire class period. Also, these instruments cannot be used during exams and quizzes even as a calculator.

## **READING LIST:**

### **I. The Basic Structure of Economic Analysis**

- (i) **The nature and methods of economics and economists Ch. 1** (Ch. 1 appendix for graphing)
  - Topics: concepts and lessons of macroeconomics, graphing
- (ii) **The Economic Problem and its implications Ch.2**
  - Topics: scarcity, choice, opportunity cost, budgets and consumption opportunities, production possibilities frontier
- (iii) **Comparative Economic Systems**
  - Topics: ideologies and institutions, convergence theory
- (iv) **International Trade pp. 339-346 and 356-357**
  - Absolute advantage, comparative advantage, terms of trade, gains from trade, open trade versus restricted trade
- (v) **Circular Flow of Income Ch 2. & Ch. 4**
  - Topics: basis for trade, actors in the economy, flow of income and resources, leakages and injections

### **II. Microfoundations of Macroeconomic Analysis**

- (i) **Supply and Demand; Price Theory Ch. 3**
  - Topics: demand and supply: functions, schedules, curves, and determinants; equilibrium, comparative statics, applications and price controls
- (ii) **Exchange Rates pp. 360-370**
  - Topics: exchange rate determination, currency appreciation and depreciation, impacts on the citizens and the economy

### **III. Macroeconomics – Measurement, Theory, and Policy**

- (i) **The measurement of meaning of national income Ch. 6**
  - Topics: national income accounting, gross domestic product and other measures of national income, real versus nominal GDP, consumer price index
- (ii) **Twin evils of macroeconomics Ch. 7**
  - Topics: Unemployment and inflation: costs, measurement, types

**(iii) Macroeconomic Analysis – Expenditure Functions Ch. 8**

- Topics: consumption and savings function, investment theory, foreign sector with imports and exports, income equilibrium, multiplier

**(iv) Macroeconomic/Aggregate Demand and Aggregate Supply Ch. 10**

- Topics: Aggregate Demand and Aggregate Supply: slope, shifts, determinants; economywide equilibrium, foundations for economic policy

**(v) Fiscal Policy – An introduction Ch. 11**

- Topics: impact and role in the economy of government expenditure, taxation, and the national budget; policy complications, lags, crowding out Budget deficits and national debt: fallacies, real issues and impacts on the economy

**IV. Monetary Theory and Policy**

**(i) Money and Banking Ch. 12**

- Topics: functions of money, measurement of money, types of money, money market equilibrium under the quantity theory of money and portfolio balance approach

**(ii) Money creation and Money Market Equilibrium Ch. 13**

- Topics: goals of banking institutions, goldsmith's principles, deposit creation by single bank and the banking system

**(iii) Federal Reserve System and monetary policy Ch. 14**

- Topics: Functions and structure of the Fed, policy target dilemma, tools of monetary policy: open market operations, discount rate and federal funds rate, reserve requirement ratio

**V. Management of the Macroeconomy**

**(i) Monetary and Fiscal Policy: Integration or Conflict Ch. 15**

- Topics: strategies for economic stabilization, Phillips curve, key policy questions and nondefinitive answers

**VI. The Economics of Development and Underdevelopment**

- Topics: Economic development and strategies, issues in economic development, economies in transition Ch. 16 (web)

**Course Specifics:**

Economics 302 (20965) – Tuesday, Thursday 7:00 – 8:20 p.m.

Davis Center - 150

Final Examination: Tuesday, May 20<sup>th</sup> 8:00 – 10:00 p.m.