

Principles of Macroeconomics

Instructor Information

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Office Hours: MOWE 10.00 - 12.15 pm or by appointment **only**. Send me an email if you cannot make it to my office hours to set an appointment.

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main idea of the course is not to provide you with lots of facts that you will have to memorize or that will be soon outdated.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.

Required Textbook

Hubbard and O'Brien, "Economics", Pearson, Prentice Hall, 2006.

Assignments and Grading

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

Exams: there will be three partial exams. The highest grade represents 30% of your grade, the second highest grade 25% and the third highest grade 20%. I will try to post in the class website a practice test with its answer key before each partial exam. All exams with the respective answer key will be posted on the class website few days after the exam day. There are no make-up exams. If you cannot take an exam for some reason you should talk to me **BEFORE** the test. If you do not take an exam then the final will have a higher weight. **However**, I only allow this if you get ill **AND** you cannot take the test or in situations that I considered extreme such as a verifiable accidents. Falling asleep or having family troubles does not qualify as a valid excuse. If you miss the test you will get a zero. In any case, do not

Final Numerical and Letter Grade.

The final numerical grade is calculated as follows:

(Homework Average without the lowest grade) x 0.15

+

(Quiz Average without the lowest grade) x 0.1

+

(Highest Midterm Grade) x 0.3

+

(Second Highest Midterm Grade) x 0.25

+

(Third Highest Midterm Grade) x 0.2

Final Numerical Grade

Once I obtain the final numerical grade I add extra points obtained through attendance and then I will assign a letter grade using the following table. Please note that there is **no curve in the final numerical grade**.

Final Numerical Grade+ extra attendance points	Final Letter Grade
8.5 to 10	A
7.5 to 8.4	B
6.5 to 7.4	C
5.5 to 6.4	D
Less than 5.5	F

Attendance

I will take attendance starting on the first day of class by university regulations. However, attendance for extra points will start on Monday August 27th 2007. In order for your presence to count as attendance you have to stay for the whole class time.

Attendance is important but not required, **if you do not miss any classes, you will receive a bonus of 0.4 points out of in your final grade. If you only miss one class you will receive a bonus of 0.3 points out of 10.** If you miss more than two classes you will not get any bonus points. For example, imagine your final grade was 8.2 after all quizzes, homeworks and exams. If you did not miss any class then I would add 0.4 points for a final grade after attendance of 8.6 and a letter grade of A.

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.

Please if you can not attend class **DO NOT** send me an email telling me that you will not be attending, just bring the doctor's note to the next class. Every semester I received tons of

emails of students telling me they can not come to class. If you have a valid excuse bring the doctor's note if not then you have an absence there is not need for an email.

Finally, you will also get extra points for NOT coming to class. **If you only come to four classes or less you will get 3 extra points out of 100.** 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. **If you come to class and refuse or do not sign the roster sheet it will be considered cheating and a drop of one letter grade in your final letter grade will follow for each time it is done.**

If you miss 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.

Note that you are not required to attend class but if you decide to attend class you must comply with the classroom rules.

Important Dates

Exam I	September 26 th
Exam II	October 31 st
Exam III	During the final exam date and time

Recommended study time and other issues.

In order to pass this class you will most likely need to devote at least 60 minutes of studying per week, not including homework time. **IT IS NOT ENOUGH TO COME TO CLASS,** you also need to study on your own during the week. Attendance is a necessary but **NOT** a sufficient condition to pass the class.

In order to prepare for the exams you need to do the homeworks, solve the practice tests, and study the class notes and the textbook. Please, note that it is **NOT** enough to **ONLY** study the textbook.

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. However, several issues need to be addressed about your email correspondence to me.

- 1) I am not on call. You can send me an email whenever you want but I will only reply during my office hours. This means, that I will not reply to any email on Saturday, Sunday or holidays.
- 2) Put your first and last name, class name and class meeting time.
- 3) Write in a way that I can understand.
- 4) If you are asking a question about a topic covered in class you must be very specific. Do not ask me to send you an email with the whole lecture. For example, do not send me an email saying: "Can you please explain how taxes work?" However, you can send me an email saying something like "Are taxes inefficient because a mutually

beneficial trades do not take place after taxes?"

Office Hours

You are welcome to stop by my office to ask questions about the lecture. However, make sure that you stop by **during my office hours** posted outside my office, in the first page of this syllabus and on the class webpage. If you can not make it to my office hours, send me an email to schedule an appointment. If you show up at a time different than my office hours without an appointment I will not be able to talk to you. The previous also applies to my office phone number.

Classroom Etiquette

Disrespectful behavior toward me or classmates will not be tolerated at all. The following are the classroom rules (the penalties are shown below):

Electronics:

- 1) All laptop computers must be closed at all times during the class.
- 2) Do not use headphones during the lecture.
- 3) All cell phones must be turn off. Do not talk on the cell phone during class.
- 4) **Do not write or read a text message on your cell phone during class. Text messaging during class is very disrespectful and I take it seriously. If you have to communicate during the lecture leave the classroom.**
- 5) Do not play games on hand-held systems or other electronic devices (including watch alarms and cell phones).
- 6) Do not listen to you mp3 player or music during the class.

Behavior:

- 7) **Sleeping during class will not be tolerated.**
- 8) If you leave the classroom before the lecture is over it will be counted as an absence.
- 9) During the lecture you should not read material other than the textbook of this class. This means that newspapers and books for other classes should be closed and hidden.
- 10) Be patient and courteous to other students when they ask a question or make a statement, even when the subject may be obvious to you.
- 11) If your behavior is disruptive I will ask you to leave the classroom. This includes making fun of classmates or the professor, talking loudly to other students while the lecture is in progress and whistling. Talking to classmates during the lecture disrupts the normal learning environment.
- 12) Do not answer questions from other student during the lecture, this is highly disruptive.
- 13) Try not to use bad words unless is strictly necessary.

Penalties:

The penalties from not complying with the rules can go from asking you to leave the classroom (with the corresponding absence) to failing the class

CLASS CALENDAR

Monday August 20	Wednesday August 22	Monday August 27	Wednesday August 29	Wednesday September 5	Monday September 10
First Day of Class		Quiz 1	Homework 1 Assigned	Homework 1 Due	Quiz 2
Wednesday September 12	Monday September 17	Wednesday September 19	Monday September 24	Wednesday September 26	Monday October 1
	Homework 2 Assigned	Practice Midterm Posted on Class Web Site	Homework 2 Due	MIDTERM 1	
Wednesday October 3	Monday October 8	Wednesday October 10	Monday October 15	Wednesday October 17	Monday October 22
	Quiz 3 Homework 3 Assigned		Quiz 4 Homework 3 Due		Quiz 5 Homework 4 Assigned
Wednesday October 24	Monday October 29	Wednesday October 31	Monday November 5	Wednesday November 7	Monday November 12
Practice Midterm Posted on Class Web Site	Quiz 6 Homework 4 Due	MIDTERM 2			Quiz 7
Wednesday November 14	Monday November 19	Monday November 26	Wednesday November 28	Monday December 3	Wednesday December 5
Homework 5 Assigned		Homework 5 Due	Homework 6 Assigned	Quiz 8 Practice Midterm Posted on Class Web Site	Homework 6 Due Last Day of Class

Outline

Topic I. Introduction to Macroeconomics.

1. What is Macroeconomics?
2. The importance of macroeconomic analysis.
3. The three basic economic questions.

Topic II. National Product and National Accounts.

Textbook Chapter.:19

1. Gross domestic product.
2. Consumption.
3. Income.
4. Prices Indexes
5. Nominal vs Real.
6. Consumer Price Index
7. GDP Deflator

Topic III. Unemployment.

Textbook Chapter: 20

1. Unemployment types.
2. Models of unemployment.
3. Unemployment duration.
4. Minimum wage, unions and unemployment compensation.
5. Explanation of unemployment.

Topic IV. Economic Growth, the Financial System and Business Cycles.

Textbook Chapter: 21

1. Growth and living standards.
2. Calculation of growth rates.
3. Determinants of growth.
4. Potential real GDP.
5. Financial System
6. Business Cycle and its effects.

Topic V. Long-run Economics Growth

Textbook Chapter: 22

1. Comparison across countries
2. Production function.
3. Productivity.
4. Technological change
5. Endogenous growth models.
6. Convergence among countries.
7. Growth policies.

Topic VI. Output and Expenditure in the Short-Run

Textbook Chapter: 23 w/ appendix

1. Aggregate expenditure model.
2. Macroeconomic Equilibrium.
3. Consumption and its determinants.
4. Income, consumption and savings.
5. Investment, Government Purchases and Net Exports.
6. Inventories.
7. Aggregate Demand Curve.

Topic VII. Aggregate Demand and Aggregate Supply.

Textbook Chapter: 24

1. Aggregate demand
2. Long and short run aggregate supply.
3. Macroeconomic equilibrium in the short and long run.
4. Recessions and expansions.
5. Changes in aggregate demand and supply.

Topic VIII. Money Supply and Central Bank.

Textbook Chapter: 25

1. Fiat money.
2. Money creation mechanism.
3. Control over the money supply.
4. Monetary policy.
5. Money supply.
6. Money demand.
7. Equilibrium in the money market.
8. Interest rate.
9. Taylor rule.

Topic IX. Inflation and Monetary policy.

Textbook Chapter: 26 and 28

1. Definition and types of inflation.
2. Phillips curve.
3. Function of prices.
4. Inflation as a tax.
5. Inflation temptation and inefficiencies.
6. Seigniorage and its limits.
7. Lucas critique.
8. Quantity of money equation.

Topic X. Government and Fiscal Policy.

Textbook Chapter: 27

1. Taxes.
2. Laffer Curve
3. Fiscal policy
4. Aggregate demand and supply with fiscal policy.
5. Government budget constraint.
6. Deficit and public debt.
7. Crowding out.
8. Ricardian equivalence.
9. Public debt instruments.
10. Total and primary deficit.
11. Public debt burden
12. Some unpleasant monetarist arithmetic.

Topic XI. Macroeconomics of an Open Economy.

Textbook Chapter: 28

1. Balance of payments.
2. Current account.
3. Capital account.
4. Exchange rates.
5. Real exchange rate.
6. Savings and Investment.

Topic XII. International Financial System.

Textbook Chapter: 30

1. Exchange rate systems: fixed, floating and currency boards.
2. Purchasing power parity.
3. Determinants of the exchange rate in the long-run.

Topic XIII. Social Security

1. Pay-as-you-go
2. Fully funded system.