

*E10020-20020 Principles of Macroeconomics*

**Spring 2006**

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**Office Hours:** MW 1:30-2:30 or by appointment

**Textbook:**

Hubbard and O'Brien. **Macroeconomics.** Prentice Hall 2006.

**Grading:**

Grades will be based on three exams. There are two midterm exams and a final. Each midterm exam is worth 30% of your grade, the final is worth 40% of your grade. Exams are a mix of multiple choice, short answer and essay application. The grading scale will be based on combination straight scale and curve. Although the following is not guaranteed to be the grading scale for this class, historically, my grade cutoffs have been:

- A 88%
- B 78%
- C 66%
- D 54%
- F Below 54%

**Exam Dates:**

- |                      |  |
|----------------------|--|
| First midterm exam:  | Monday February 20 <sup>th</sup>       |
| Second midterm exam: | Monday April 3 <sup>rd</sup>           |
| Final exam:          | Tuesday May 9 <sup>th</sup> 8:00-10:00 |

If the class is willing, I will schedule the midterm exams at night on the dates listed above. This will give you more time to take the exam. In return, I will give you two days off at some point in during the semester. We will then have regular class lectures on the exam dates.

### **Class Policies:**

1. Please be on time. Walking in late disrupts the class and creates a negative externality on your classmates and me. From micro you should know that the way we deal with externalities is to tax that activity. Consequently, should I feel that tardiness is becoming a problem, I will tax you 5 points every time you walk in late.
2. There is no extra credit -- this is not high school.
3. Cheating will **NOT** be tolerated. I have no sympathy for cheaters so if you are caught cheating, I will simply process cheating charges through the Dean's office. You will receive an F in the course that cannot be removed from your transcript. However, those who already have been caught cheating will be suspended from the university if caught again. Egregious cheating cases also will result in suspension from the university. ***It is your responsibility to avoid the appearance of cheating*** and it is my duty to enforce the University rules on academic honesty. You should read the Academic Honor Code on the web at: <http://www.nd.edu/~hnr/code/docs/handbook.htm>.

The purpose of these policies is to create a **FAIR** learning environment and, at the same time, give you the flexibility to make utility maximizing decisions with regards to your preferences for studying, sleeping, working and socializing. This environment makes you responsible for your actions. **I will not subsidize the costs of your decisions.** If you want an academic environment in which the professor subsidizes the costs of your decisions or feel you should be treated differently, or judged according to different academic standards than your classmates, then I suggest that you drop this course.

### **Course Objective:**

The purpose of this course is to introduce the student to the workings of the US economy and its relationship to the rest of the world. The student will learn the vocabulary used by macroeconomists and how we measure economic concepts. We will then build simple models of the economy to study the two key issues in macroeconomics: economic growth and business cycles. In particular, we will examine the role of the federal government and the Federal Reserve System in the economy and what policies they can undertake to affect both the growth rate and cyclical behavior of the economy. Finally, we will look at how the US economy interacts with the rest of the world.

**Course Outline:*****Review***

Chapters 1 - 4

***Macroeconomic Vocabulary and Measurement***

Chapter 7 Measuring a Nation's Income

Chapter 8 Measuring the Cost of Living

Chapter 8 Unemployment

***The Foundations for Economic Growth***

Chapter 9 Business Cycle and Growth Facts

Chapter 10 Long Run Economic Growth and Policies

***Fluctuations in the Economy -- Theories of Business Cycles***

Chapter 12 Aggregate Demand and Supply

Chapter 13 Money, Banking and the Federal Reserve System

Chapter 14 Monetary Policy

Chapter 16 Inflation, Unemployment and Monetary Policy

Chapter 15 Fiscal Policy; Deficits and the National Debt

***The International Economy***

Chapter 17 Macroeconomics in the Open Economy

Chapter 18 The International Financial System