

**I. CATALOG DESCRIPTION:**

A. Department Information:

Division: Business  
Department: Economics  
Course ID: ECON 200H  
Course Title: Introduction to Macroeconomics - Honors  
Units: 3  
Lecture: 3 Hours  
Laboratory: None  
Prerequisite: None

B. Catalog and Schedule Description: Introduction to macroeconomic theory and the role of fiscal and monetary policies in economics with special emphasis on national economic problems. Enrollment is limited to students eligible for the Honors Program.

**II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: One**

**III. EXPECTED OUTCOME FOR STUDENTS:**

Upon completion of the course the student should be able to:

- A. Analyze a given event or policy with respect to its impact of the market place.
- B. Construct supply and demand diagrams to illustrate the application of partial equilibrium analysis to understand and predict the impact of new circumstances such as the deregulation of electricity in California.
- C. Read and critically evaluate the contribution of economist such as Fredrick Von Hayek, Milton Friedman, and J.M. Keynes with regard to their outlook on the proper role of government in national economic affairs.
- D. Evaluate and compute the equilibrium levels of Gross National Product, for a Keynesian macroeconomic model in quantitative form (with equation parameters given). Interpreting the numerical tables by formulating a graphical presentation of the traditional Keynesian model with government and a foreign trade sectors included.
- E. Complete written assignments which compare and contrast the effects of government spending and taxation, or monetary policy as viewed by the following schools of thought:
  1. Keynesian economists
  2. Monetarists
  3. Supply side economists
  4. Rational expectations theorists
- F. Interpret current proposals in newspaper articles and current periodicals, which advocate changes in fiscal or monetary policy. Apply the various convictions or the different schools of thought to analyze and predict the impact of such proposed changes in national economic policy.

**IV. COURSE CONTENT:**

A. Basic Concepts

1. Introduction
  - a) How to read Graphs
2. Basic Problems of Economics Organization
  - a) Problems of Economics Organization
  - b) The Technological Choices Open to Any Society
3. Price Functioning in a Mixed Economy
  - a) A Market's Solution to the Basic Economic Problems
  - b) The Economic Role of Government

- c) Capital, Division of Labor, and Money
    - 3. The Bare Elements of Supply and Demand**
      - a) Mathematical expression of demand and supply equilibrium**
      - b) Statistical estimation of two variable functions**
  - B. Macroeconomics: Fluctuations of Output and Prices
    - 1. Overview of Macroeconomics: Aggregate Supply and Demand
      - a) Macroeconomic issues
      - b) Aggregate Supply and Demand
    - 2. Measuring National Output
    - 3. Consumption and Investment
      - a) Consumption and Saving
      - b) The Instability of Investment
      - c) Implications of dynamic, open economics**
      - d) Theories of Economic Integration in a Global Economy**
    - 4. The Theory of Output Determination
      - a) Classical and Keynesian Approaches to Output Determination
      - b) Output Determination: The Multiplier Model Algebra of the Multiplier
      - c) Political Economy of Global Economic Development: In-depth international comparisons**
  - C. Macroeconomics: Money, Interest Rates, and Deficits
    - 1. Money and Commercial Banking
      - a) History of Money and Banks
      - b) The Process of creation of Bank Deposits Stock Market Fluctuations
    - 2. The Federal Reserve and Central Bank Monetary Policy
    - 3. Monetarism and the Demand for Money
      - a) The Demand for Money
      - b) How Money Affects Output
      - c) Monetarism
      - d) The Rational-Expectations Revolution
    - 4. The Fiscal-Monetary Mix and Government Deficits
      - a) Deficits and the Monetary-Fiscal Mix
      - b) The Public Debt and Modern Fiscal Policy
      - c) Advanced treatment of Monetary and Fiscal Policy
  - D. Economic Growth and International Trade
    - 1. Economic Growth: Theory and Evidence
      - a) The Theory of Economic Growth
      - b) The Trends and Sources of Economics Growth
      - c) Modern Economics Growth Theories
    - 2. The Economics of Developing Countries
      - a) Population and Economic Conditions
      - b) The Process of Economic Development
    - 3. International trade by Theory of Comparative Advantage
      - a) The Principle of Comparative Advantage
      - b) The Balance of International Payments
      - c) Comparative Advantage Amplified and Qualified
    - 4. Protective Tariffs, Quotas, and Free Trade
    - 5. Exchange Rates and the International Financial System
      - a) Mechanisms of Foreign Exchange and trade
      - b) Macroeconomics of Open Economics
      - c) Breakdown and Reconstruction of the International System

**V. METHODS OF INSTRUCTION:**

- A. Reading Assignments

1. Student assignments outside of class are equivalent to six hours per week for reading, writing essay problems, collecting newspaper articles and preparing for exams.
- B. Class Discussion
  1. The lecture-discussion format is the primary method of instruction.
- C. Lecture
- D. Handouts
- E. Homework Assignments
  1. Throughout the semester, approximately 15 written problem sets are assigned as homework.
  2. Students are expected to work out solutions to problem sets before class begins.
  3. Usually problem sets are in the form of written essays, usually including illustrations with graphs
- F. Objective quizzes and examinations

**VI. TYPICAL ASSIGNMENTS:**

- A. Reading and Writing:
  1. Read *Moving to a Market Economy: The Perils of Privatization*, consider the price of electricity in California. Analyze how deregulation in the market has led to shortages. Use a supply and demand graph to explain.
- B. Problem Solving and Performance:
  1. Utilize the internet or your local newspaper to track two stocks. Use standard financial criteria in the evaluation of which stock is the best stock?
- C. **Critical Evaluation and Systems Approach:**
  1. **Some regions, like the former Soviet Union are disintegrating economically, while other regions like the European Economic Community (EEC) are integrating. Use the economic systems theory to explain why these changes are occurring.**
  2. **Define the term *open economy*. Apply this concept in considering the following question: Is the United States economy an open economy, as compared to the economy of Mexico? Why is it that the trade deficit of the United States, while 4 times greater than that of Mexico is not viewed as a major problem for the United States, while it is a primary part of macroeconomic policy for the Mexican government?**

**VII. EVALUATION(S):**

- A. Methods of evaluation:
  1. Homework
  2. Class participation
  3. Objective quizzes and examinations
    - a) Sample examination question:
      - i) Suppose that because of a new disease that attacks coffee plants, far more labor and other inputs are required to raise a pound of coffee than before. How might that effect the efficient allocation of resources between tea and coffee? Why? How would the prices of coffee and tea react in a free market?
      - ii) Explain the effects of a decision by the central bank to lower interest rates by a full percentage point. How would the financial markets, and the stock market, in particular, react to this action by the central bank?
  4. **In the current context of the market system in the United States, is there a possibility of an equilibrium at less than full employment? Answer this question, first, as a Keynesian economist and then as a neoclassical**

**economist. Explain why these two schools of thought would give such different responses to the question.**

- B. Frequency of evaluation:
1. Two mid term examinations
  2. Final examination
  3. Term paper on fiscal or monetary policy (one)
  - 4. Review of six journal articles**
  - 5. Web-based powerpoint presentation of class project (policy analysis)**
  - 6. Build a website that incorporates basic elements of systems analysis applied to a particular case involving a macroeconomic problem.**

**VIII. TYPICAL TEXT(S):**

Macroeconomics, 4<sup>th</sup> Edition. By David C. Collander. Boston: McGraw-Hill, 2001.

Economics, by Robert H. Frank and C. Brenecke. Boston: McGraw-Hill, 2000.

Principles of Economics, 2<sup>nd</sup> Edition. By Gregory Makiw. New York: Dryden Press, 2001.

**Principles of Systems Thinking, by H. Patton and A. Sawick. New York: Dryden Press, 2001.**

**IX. OTHER SUPPLIES REQUIRED OF STUDENTS:**

A. Calculator.

**B. Students need to have Microsoft FrontPage running in the Business Division Computer Labs, as has always been the case with honors economics classes.**

**C. Honors economics sections are taught in the Business Division computer labs. To do homework, students also need access to general computer labs on campus that have installed Microsoft FrontPage, the software used to demonstrate sample website construction.**

**D. Computer storage devices--"3.5" diskettes or zip disks.**