

Economics 202
Principles of Macroeconomics

Syllabus

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Loyola University Chicago

Quinlan School of Business

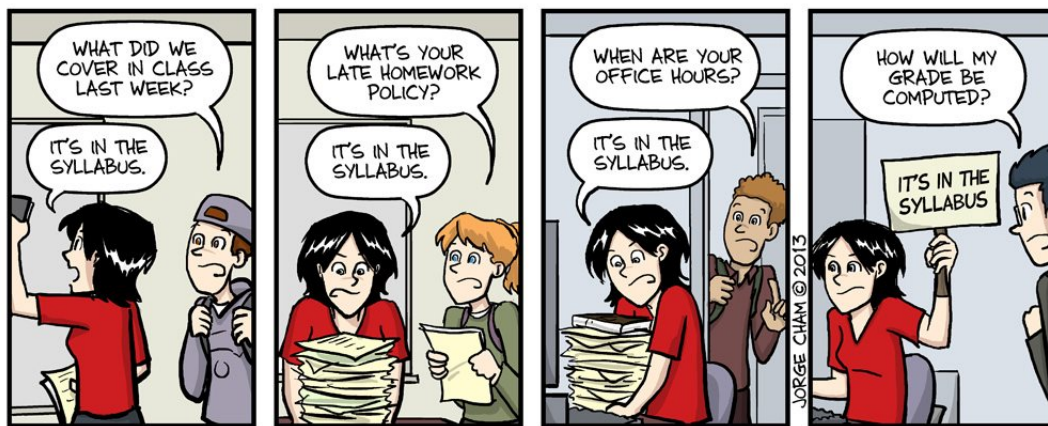
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Fall 2017

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Please, read and reference the syllabus. Its main purpose is to give you information about the course so that you do not have to ask me during the semester. Please, do not be scared about the length of the syllabus. I view this document as a contract between you and me. You should consider the syllabus to be the ground rules. “I didn’t read the syllabus”, and the like, is not an acceptable excuse for missing an exam, assignment, or being unaware of a class/University policy, etc. Any registered student in the course will adhere to and abide by the syllabus without exception.



IT'S IN THE SYLLABUS

This message brought to you by every instructor that ever lived.

WWW.PHDCOMICS.COM

Instructor	Dennis C. Plott
Instructor Email	dennis.plott@gmail.com
Instructor Website	www.dennisplott.com
Instructor Office Location	TBD
Instructor Office Hours: Days	Monday, Wednesday, and Friday
Instructor Office Hours: Times	10:30 a.m.–12:15 p.m. & 1:35 p.m.–2:35 p.m.
Class Location	Corboy Law Center – 521
Class Meeting: Day	Tuesday
Class Meeting: Time	7:00 p.m.–9:30 p.m.
Official Course Website	https://sakai.luc.edu/

1 Course Description, Overview, Objectives, and Philosophy

1.1 Loyola University Chicago Course Catalog Description

Economics 202: Principles of Macroeconomics

Requirement: ANTH 100, PLSC 102, PSYC 100 or SOCL 101 for students admitted to Loyola University for Fall 2012 or later. No requirement for students admitted to Loyola prior to Fall 2012 or those with a declared major or minor in the Department of Anthropology, Department of Criminal Justice, Department of Economics, Department of Psychology, Department of Political Science, the Department of Sociology, Human Services or the School of Nursing.

This course is an introduction to national product, its components, money and the real sectors and business fluctuations.

Outcome: The students will be able to think critically about the economic environment of the nation and to measure growth, unemployment, inflation, fiscal and monetary policies of the government, to ultimately understand economic stability and the welfare of the individual citizen.

1.2 Course Overview

Principles of Macroeconomics is an introduction to the study of the aggregate economy. The course will introduce the basics (fundamentals) of economic theory and reasoning. Moreover, this course will primarily focus on understanding, measuring, and analyzing macroeconomic activity and the role of fiscal and monetary policy in the economy. The course coverage and material will emphasize historical and contemporary economic issues facing the U.S. economy, but other countries, most notably China, will also receive ample coverage. Topics include major schools of economic thought; aggregate supply and demand; economic measures, fluctuations, and growth; money and banking; stabilization techniques; and international macroeconomics. If you do not know any of the above, then you are in the right course.

1.3 Course Objectives and Philosophy

An important goal of Principles of Macroeconomics is to provide students with a broad overview and solid grasp of the aggregate economy (e.g., aggregate economic accounts and definitions), thereby enabling students to read and understand reporting on the aggregate economy from various media outlets. Additionally, students will be exposed to theories of economic growth (the “long-run”) and theories of the business cycle (the “short-run”).

A common criticism of undergraduate macroeconomic courses is that they feature very little actual economics. This course features a heavy emphasis on the role of economic policy: monetary and fiscal policies aimed at short-run stabilization, policies concerning trade and international finance, and policies aimed at promoting long-run growth. The course aims to clearly highlight the trade-offs involved in policy-making; e.g., short-run stabilization versus long-run growth.

Given the ubiquitous coverage of macroeconomics in the national and local media, the course features an important “real world” component. In particular, recent periodicals, newspapers, and internet sources will be used to discuss the applications of the theories and ideas to the real world.

Upon completion, students should be able to evaluate national economic components, conditions, and alternatives for achieving socioeconomic goals. Further, successful completion of the course serves as a foundation for future course work.

2 Responsibilities, Expectations, and Advice

2.1 Instructor’s Responsibilities

As the instructor, my responsibilities are to come to class prepared to teach; to organize and present the material in a manner that facilitates your learning; to respond to and encourage questions; to oversee grading of assignments; to be available during office hours and for scheduled appointments; and to stimulate an enthusiasm for economics and for learning.

2.2 Student's Responsibilities

As a student, your responsibilities are to come to class prepared to learn and to participate in lectures; to complete the assigned readings before class (allowing time to re-read difficult material); to complete all assignments on time; and to take all exams.

2.2.1 Prerequisites

I will assume that you are proficient in basic high school mathematics; i.e., algebra. That said, there will be a healthy review of essential material in the early part of the course to help get your bearings.

2.2.2 Academic Rigor

At the college level, average students are expected to devote *at least* two hours of problem solving and study time outside of class for every hour that they are in class in order to earn a C (i.e., satisfactory) grade. Do not expect to receive a satisfactory grade unless you are willing to make the necessary commitment. Also note that you will be graded on your productivity, competency, and proficiency, not your effort, nor your intentions, nor any factor other than your performance on assigned work (i.e., problem sets and exams).

2.2.3 Advice

I know many of you work, have families, commute, take other courses, have social lives, watch Simpsons marathons, etc. However, experience has shown that economics is not a subject that you can put off until the last minute. An economics course is similar to a math class in that much of the material is cumulative, with each lesson depending on comprehension of the material that has come before.

Therefore, I urge you to attend class on a regular basis and actively participate. Experience has also shown that students whose attendance is irregular usually do quite poorly. I urge you to keep up to date on the reading and assignments, to ask questions in class, and come see me during my office hours if you are having difficulty. **I am here to help you.** While I realize that it is often unpleasant and sometimes even painful to deal with difficult material, ignoring your difficulties is a guaranteed way to make your problems worse. Forming study groups is also a good way to learn the material. Even if you are the “best” student in the group, you will still learn through your efforts to explain the material to others.¹ If at any point during the semester you are having difficulty, please come see me sooner rather than later. If you keep up with the material, you can do relatively well in the course. Falling behind is, however, the surest way to make this class a difficult and unpleasant experience.

3 Course Materials

3.1 (Recommended) Textbook

Mankiw, N. Gregory. 2017. *Principles of Macroeconomics*, 8th ed. South-Western College. ISBN: 978-1305971509. [Mankiw (2017)]

This is the most recent version of the textbook and subsequently the most expensive. However, it is not only acceptable, but recommended that you purchase a previous (i.e., 6th, published in 2011) edition. The main content is more or less identical, but significantly less expensive².

3.2 Software

3.2.1 Other Useful Software

Although not necessary for this class, it is highly recommended that you use an online storage service such as:

- [Dropbox](#)
- [Google Drive](#)

¹*Docendo discimus* (“by teaching, we learn”) – Seneca the Younger

²A quick check on the interwebs shows copies in “good” condition for less than \$15 with shipping.

3.3 Supplementary (Optional) Resources

3.3.1 Books

- Buchholz, Todd G., 2007. *New Ideas from Dead Economists: An Introduction to Modern Economic Thought*, Revised ed. Plume.
- Heilbroner, Robert L., 1999. *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers*, 7th Revised ed. Touchstone.

3.3.2 Periodicals

- *The Economist*
 - A British weekly English-language magazine focusing on international politics and business news and opinion.
- *Financial Times*
 - A British English-language international daily newspaper with a special emphasis on business and economic news internationally.
- *The Wall Street Journal*
 - An American English-language international daily newspaper with a special emphasis on business and economic news.
- *Journal of Economic Perspectives (JEP)*
 - A quarterly journal published by the American Economic Association (AEA).
- *Federal Reserve Bank of St. Louis Review*
 - A quarterly research journal intended for an economically informed but broad readership – from the undergraduate student to the Ph.D.
- *Bank of England Quarterly Bulletin*
 - The *Quarterly Bulletin* explores topics on monetary and financial stability and includes regular commentary on market developments.

3.3.3 Online

- Greg Mankiw's Blog: Random Observations for Students of Economics
 - <http://gregmankiw.blogspot.com/>
- Vox
 - <http://www.voxeu.org/>

4 Course Requirements and Grading

4.1 Exams

Two in-class exams (25% each) and a final exam (30%) will be given during the semester. All exams are closed book/notes. A study guide to aid your efforts will also be provided. Exams may include multiple choice, true/false/uncertain with explanation, graphing, short-answer (economic rationale), and problem solving (calculation) questions. No exams are dropped or replaced.

Any missed exam's percentage toward your final grade will be added to the final exam's weight. For example, if you miss the second exam, then your final exam counts for 55% (25% + 30%) of your final grade. Caveat: no student may miss more than one exam. More than one exam missed, without verifiable appropriate documentation per University regulations, will be recorded as a zero. The final exam must be taken to receive credit in the course. If you are unable to take the final exam at its scheduled time and place, do not take this class. The final exam is cumulative.

Since everyone has a bad day: if, and only if, a student takes both exams, then 10% of the lowest exam grade's weight will be added to the final; i.e., the lowest exam will be worth 15% and the final exam will be worth 40% of your final grade. This is an alternative final grade measure that is automatically calculated. The maximum of the two calculated final grades is given.

All graded material will be returned and complete solutions will be given in a timely manner.

4.2 Problem Sets

There will be four problems sets; each worth five percent of your final grade. No problem sets are dropped or replaced. Problem sets must be submitted in person. The problem sets are composed of multiple choice, calculation, graphical, true/false/uncertain with explanation, and conceptual questions. Note: questions from past exams will be made available to you through the problem sets.

4.3 Regrading

Graded material for which there is a regrade request must be done within one week after its return to you. The request for regrade must be done in writing and attached to the exam/problem set when submitting for a regrade. The request must include a description of what the problem is and why you think the exam should be graded differently. In such cases, I will regrade the entire exam/problem set; i.e., not just the question you identified. Your grade may increase, decrease, or remain unchanged.

4.4 Late Work and Extra Credit

Late work of any sort will not be accepted under any circumstance. Bonus questions may be asked on exams. However, that said, there will be no extra credit given in this course for any reason.

4.5 Basis for Final Grade

Assessment	Percentage of Final Grade	Due Date (Tentative)
Problem Set 1	5%	Tuesday 12 September (Due by 8:00 p.m.)
Problem Set 2	5%	Tuesday 26 September (Due by 8:00 p.m.)
Exam I	25%	Tuesday 17 October (7:00 p.m.–8:15 p.m.)
Problem Set 3	5%	Tuesday 31 October (Due by 8:00 p.m.)
Problem Set 4	5%	Tuesday 14 November (Due by 8:00 p.m.)
Exam II	25%	Tuesday 28 November (7:00 p.m.–8:15 p.m.)
Final Exam	30%	Tuesday 12 December (7:00 p.m.–9:00 p.m.)
Total	100%	

Grading Scale Percentage (%)	Letter Grade	GPA Value	Meaning
92–100	A	4.00	Excellent
89–91	A–	3.67	Excellent
87–88	B+	3.33	Good
82–86	B	3.00	Good
79–81	B–	2.67	Good
77–78	C+	2.33	Satisfactory
72–76	C	2.00	Satisfactory
69–71	C–	1.67	Satisfactory
67–68	D+	1.33	Poor
60–66	D	1.00	Poor
0–59	F	0.00	Failure
–	W	–	Withdrawal

5 Course Policies and Common Sense³

Actions that have negative effects on others will NOT be tolerated.

5.1 Email

The best way to contact me outside of class and office hours is via email (dennis.plott@gmail.com). For any email correspondence, please, type “ECON 202” in the subject line. This is for your benefit. If you do not, then your email will likely not go to the proper mailbox and I may not see it.

Also, an email to me is not a text message to one of your friends; please adhere to standard grammar, punctuation, spelling, etc. For questions regarding the material, it is strongly recommended that you see me in person.

5.2 Electronic Devices

Laptops and iPad type devices are permitted for note-taking and course related material only. If I discover laptops (iPads, etc.) are being used for non-classroom activities, I will not allow them in the class. Non-classroom activities include, but are not limited to, checking your Facebook page, emailing, looking at Reddit, online banking, bidding on cigars, playing Tetris, looking at Brad Paisley’s website, and watching anime. No, I did not simply list asinine examples, but have actually witnessed all of these activities during a class!

Calculators may be permitted on some exams. However, only basic calculators up to scientific calculators. All that is “needed” are basic addition, subtraction, multiplication, division, square root functions, and the like. Fancy-pants gadgets such as graphing calculators, cell phones, iPads, or anything that can store or reference information are absolutely not allowed at any time during an exam.

Cell phones, noise makers, and anything that may disturb the class in any way are to be turned off or silenced and put away. If these devices become a problem in class there will be a draconian policy implemented; any student’s noise maker that goes off in class automatically loses one-percentage point of their final grade for each infraction. If you are caught texting in class, then the entire class will be given a quiz on the most recent material covered. Wearing or playing with earbuds, headphones, earphones, etc. during class is inappropriate whereby you will be asked to leave. Contrary to popular belief, your cell phone is not a breathing apparatus; you can survive without it.

5.3 Food and Drinks

Please, do not eat food in class. It is distracting to me and your fellow students. Bottled water, coffee, tea, soft drinks, etc. are fine, but please be considerate and do not leave trash. If you spill something, clean it up.

³“Common sense is not so common.” – Voltaire, *A Pocket Philosophical Dictionary*, 1764

5.4 Punctuality, Attendance, and Talking

Try to arrive to class on time. I understand you may be late from time to time. If this occurs please enter the room quietly so as not to disturb the class. The same consideration applies if you must leave early. Further, absolutely NO student should leave in the middle of class consistently.

Attendance is not officially recorded or graded. However, you are expected to attend. If you miss class, it is solely your responsibility to obtain the notes and/or materials given from a classmate. Office hours are not a substitute for class time, but you are encouraged to utilize office hours to clarify concepts after you have put forth effort on the material covered.

It is your responsibility to check the class website on a regular basis.

In consideration of your fellow students and the instructor, please refrain from talking with your neighbors during class. If you have questions, ask me, not the student sitting next to you. Talking in class is rude and distracting, both to me and to other students.

5.5 Academic Integrity

Academic honesty is expected. In fairness to the many students who work hard and put in an honest effort, those who in any way engage in acts of academic dishonesty or cheating will be treated most harshly as to do otherwise would devalue all honest student's education. I encourage students to discuss economics and the class material together (outside of class) and to help each other in solving problems and in coming to understand the material. In fact, you will find this class much easier if you do form study groups. Nevertheless, work submitted for a grade must ultimately be the work of the individual student – not copied from another student or from any other source. It is my policy to, at a minimum, assign a grade of zero for any problem set on which cheating occurs. In the event of any cheating on an exam my policy is to assign a grade of F in the course. Furthermore, I will pursue all appropriate disciplinary measures provided by University policy; including expulsion.

5.6 Course Flexibility

If it becomes necessary to add to, delete from, or otherwise alter this syllabus, then I reserve the right to do so as I deem fit. However, I will clearly communicate any and all changes made to the class in a timely manner.

5.7 Course Cancellation

If class is canceled by me (has not happened yet), you will be notified as soon as possible through email and a note will be posted on the class website. If required, a make-up class will be scheduled.

5.8 Grade Dissemination

All grades will be posted on Sakai. Due to privacy concerns grades will only be given through Sakai or in person. Phone, email, and other postings of student's grades will not occur per University policy. No one else other than the student in question is able to collect graded material for someone else.

Unfortunately, due to experience, I must point out I will not, nor do I have any desire to, discuss your academic performance in anyway with your parents/guardians. Please, do not have anyone, other than yourself, contact me about your grades. I take your privacy seriously.

5.9 Recording of Lectures

Audio and/or any kind of video recording of lectures is prohibited and is a violation of federal copyright laws unless you have a learning disability that requires such recording (see below). In the event you do have a learning disability requiring recording, all recordings must be used only by the person making them and must be destroyed at the end of the semester.

5.10 Course Material

The course material (e.g., slides, exams with solutions, etc.) is provided on my website to help you. Do NOT post the material to any other website; e.g., Course Hero.

6 Loyola University Chicago Policies and Relevant Information

6.1 Students with Disabilities

Students who have disabilities which they believe entitle them to accommodations under the Americans with Disabilities Act should register with the Services for Students with Disabilities (SSWD) office. To request accommodations, students must schedule an appointment with an SSWD coordinator. Students should contact SSWD at least four weeks before their first semester or term at Loyola. Returning students should schedule an appointment within the first two weeks of the semester or term. The University policy on accommodations and participation in courses is available at: <http://www.luc.edu/sswd/>

6.2 Academic Standards and Regulations

For more information regarding Loyola University Chicago’s undergraduate policies see [LUC](#), “[Academic Standards and Regulations](#)”.

6.3 Academic Calendar

Month	Date	Day	Event [†]
August	28	Monday	Fall Semester Begins
September	4	Monday	Labor Day, Classes do not meet
September	5	Tuesday	Late and change registration ends, Last day to withdraw without a “W” grade
October	9–10	Monday–Tuesday	Mid-Semester Break: No classes
November	3	Friday	Last day to withdraw with a grade of “W”, After this date the penalty grade of “WF” is assigned
November	22–25	Wednesday–Saturday	Thanksgiving Break: No classes
December	9	Saturday	Fall Semester classes end
December	11–16	Monday–Saturday	Final Exams [‡]

[†] For the full Undergraduate Calendar see [LUC](#), “[Fall 2017–2020 Academic Calendars](#)”

[‡] Study Day Wednesdays: No daytime exams will be held.

7 (Tentative⁴) Schedule

Month	Date	Day	Topic [†]	Due
Tuesday	29	August	Syllabus/Introduction	–
Tuesday	5	September	Introduction	–
Tuesday	12	September	Foundations	PS 1
Tuesday	19	September	Foundations	–
Tuesday	26	September	The Demand Side	PS 2
Tuesday	3	October	The Demand Side/Supply Side	–
Tuesday	10	October	No Class	–
Tuesday	17	October	Exam I/Government & Fiscal Policy	7:00 p.m.–8:15 p.m.
Tuesday	24	October	Government & Fiscal Policy	–
Tuesday	31	October	Money, Banking, and Monetary Policy	PS 3
Tuesday	7	November	Money, Banking, and Monetary Policy	–
Tuesday	14	November	International Economics	PS 4
Tuesday	21	November	International Economics	–
Tuesday	28	November	Exam II/International Economics	7:00 p.m.–8:15 p.m.
Tuesday	5	December	Special Topic/Final Exam Review	–
Tuesday	12	December	Final Exam	7:00 p.m.–9:00 p.m.

[†] Note: See “Textbook Readings” (next section) for the associated readings.

⁴ “The best laid schemes o’ mice an’ men Gang aft a-gley” [often go awry] – Robert Burns, *To a Mouse*, 1786

8 Textbook Readings⁵

Introduction

Chapter 1 – Ten Principles of Economics

How People Make Decisions

How People Interact

How the Economy as a Whole Works

Chapter 2 – Thinking Like an Economist

The Economist as Scientist

The Economist as Policy Adviser

Why Economists Disagree

Let's Get Going

APPENDIX Graphing: A Brief Review

Foundations

Chapter 10 – Measuring a Nation's Income

The Economy's Income and Expenditure

The Measurement of Gross Domestic Product

The Components of GDP

Real versus Nominal GDP

Is GDP a Good Measure of Economic Well-Being?

Chapter 11 – Measuring the Cost of Living

The Consumer Price Index

Correcting Economic Variables for the Effects of Inflation

Chapter 17 – Money Growth and Inflation

The Costs of Inflation

Chapter 15 – Unemployment

Identifying Unemployment

Job Search

The Demand Side

Chapter 13 – Saving, Investment, and the Financial System

Financial Institutions in the U.S. Economy

⁵All readings are from Mankiw (2017). Note: Only major sections are listed; Conclusions and similar sections should also be read.

Saving and Investment in the National Income Accounts

The Market for Loanable Funds

Chapter 14 – The Basic Tools of Finance

Present Value: Measuring the Time Value of Money

Managing Risk

Asset Valuation

The Supply Side

Chapter 12 – Production and Growth

Economic Growth around the World

Productivity: Its Role and Determinants

Economic Growth and Public Policy

Chapter 15 – Unemployment

Minimum-Wage Laws

Unions and Collective Bargaining

The Theory of Efficiency Wages

Putting It All Together

Chapter 20 – Aggregate Demand and Aggregate Supply

Three Key Facts about Economic Fluctuations

Explaining Short-Run Economic Fluctuations

The Aggregate-Demand Curve

The Aggregate-Supply Curve

Two Causes of Economic Fluctuations

Government & Fiscal Policy

Chapter 21 – The Influence of Monetary and Fiscal Policy on Aggregate Demand

How Fiscal Policy Influences Aggregate Demand

Chapter 23 – Six Debates over Macroeconomic Policy

Should the Government Fight Recessions with Spending Hikes Rather Than Tax Cuts?

Should the Government Balance Its Budget?

Should the Tax Laws Be Reformed to Encourage Saving?

Money, Banking, and Monetary Policy

Chapter 16 – The Monetary System

The Meaning of Money

The Federal Reserve System

Banks and the Money Supply

The Fed's Tools of Monetary Control

Chapter 17 – Money Growth and Inflation

The Classical Theory of Inflation

Chapter 21 – The Influence of Monetary and Fiscal Policy on Aggregate Demand

How Monetary Policy Influences Aggregate Demand

Using Policy to Stabilize the Economy

Chapter 23 – Six Debates over Macroeconomic Policy

Should Monetary and Fiscal Policymakers Try to Stabilize the Economy?

Should Monetary Policy Be Made by Rule Rather Than by Discretion?

Should the Central Bank Aim for Zero Inflation?

International Macroeconomics

Chapter 18 – Open-Economy Macroeconomics: Basic Concepts

The International Flows of Goods and Capital

The Prices for International Transactions: Real and Nominal Exchange Rates

A First Theory of Exchange-Rate Determination: Purchasing-Power Parity

Chapter 19 – A Macroeconomic Theory of the Open Economy

Supply and Demand for Loanable Funds and for Foreign-Currency Exchange

Equilibrium in the Open Economy

How Policies and Events Affect an Open Economy