NORTH PARK UNIVERSITY
SCHOOL OF BUSINESS AND NONPROFIT MANAGEMENT

# ECONOMICS 5210
# MACROECONOMICS

Syllabus

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Required text:

- Robert E. Hall and David H. Papell, John B. Taylor, Macroeconomics Economic Growth, Fluctuations, and Policy, Sixth edition, New York, W. W. Norton and Co., 2005.

ISBN: 0 393-97515-0

A student Study Guide to accompany the text is available but not required.

Additional recommended readings: *Barron's, Bureau of Labor Statistics, Business Week, The Economist, Financial World*, the *Federal Reserve System, Fortune, Harvard Business Review, Survey of Current Business*, and *The Wall Street Journal.*

MACROECONOMICS

SBNM 5210 studies the determinants of aggregate demand and aggregate supply in the economy. Students study the relationship between national income, output, employment, and the price level. Included in the study are the determinants of economic growth, inflation and recession, interest rates, and the role of government monetary and fiscal policies in fostering stability and growth. Students gain an understanding of economic environments such as the effect of inflationary expectations, the impact of labor markets, and effect of the FED on the equilibrium level of output and employment. Students will learn how macroeconomics can provide a strong set of analytical tools for ethical business decision-making.

Economics is the study of how scarce, productive resources are allocated in order to satisfy unlimited wants over time. The analytical approach is mainly deductive, and is based on the scientific method. *Macroeconomics* studies the determinants of national income, output, employment, and the price level. Included in the study are the determinants of economic growth, inflation and recession, aggregate supply and aggregate demand, employment and unemployment, the determination of interest rates, and the demand for and supply of money. Students will learn how macroeconomics can provide a strong set of analytical tools for ethical business decision-making.

The process of model-building provides us with a method of applying theory to reality. In this way, we are able to make more accurate predictions and develop more effective economic policy. Macroeconomic stabilization policies are formulated based on an analysis of problems facing the economy. Both *fiscal policy* and *monetary policy* focus on keeping the economy on a path of steady growth and stable prices. Fiscal policy uses spending and taxes to move the economy in the desired direction, while monetary policy relies on changes in the money supply and interest rates.

Consumers and business firms represent the private sector of the economy, the government is the public sector, and exports and imports represent the basic components of the international sector. The interactions between these sectors make for a dynamic approach to macroeconomics.

Business decisions are significantly influenced by what happens in the macroeconomy. Changes in income levels, growth rates, the price level, and the movement of interest rates all have an important affect on the functioning of businesses. It is vital for managers to be able to understand the impact of changes in the macroeconomy on their day-to-day business operations. Resource allocation, production, and distribution must be understood by business managers in the context of the conditions prevailing as well as anticipated in the economic system.

Evaluation Procedures

Review questions will be distributed before each of two examinations. The examination with the higher grade will be weighted at 60%, the lower grade weighted at 40%. Students are expected to do class readings and problems as shown in the **Reading and Assignment Guide**. In addition, students are expected to compile a comprehensive set of class notes through regular class attendance. Two absences from class will likely reduce the student's grade one level. Three absences will mean that the student must drop the course or receive an F.

Students with Disabilities

North Park University aims to provide and coordinate support services and reasonable accommodations to aid students with disabilities in achieving academic success. If you have a disability and feel you need accommodations in this course, you must present a letter to me from the Center for Academic Services indicating the existence of a disability and the suggested

accommodations. Students who would like to discuss accommodations should contact the Learning Specialist, Amanda Torihara. Please call (773) 244-5737 or email atorihara@northpark.edu to make an appointment within the first two weeks of the semester.

**Class Attendance Policy**

The graduate courses in the SBNM are all 7 weeks in length. Missing one class session is allowed without penalty as long as all readings and assignments are made up by the student within a reasonable time period (the following class session). Missing a second class session is allowed only in unusual circumstances by prior arrangement with the instructor. Since this represents 25% of the class time for the course, the student runs the risk of receiving a lower overall grade for the class. A student who misses three classes will automatically fail the course, unless the student drops the course before the eighth week of class. Students who drop a course will be held responsible for tuition, based upon the current North Park University policy outlined in the University Catalog (found on the NPU website).

Academic Honesty

In keeping with our Christian heritage and commitment, North Park University and the School of Business and Nonprofit Management are committed to the highest possible ethical and moral standards. Just as we will constantly strive to live up to these standards, we expect our students to do the same. To that end, cheating of any sort will not be tolerated. Students who are discovered cheating are subject to discipline up to and including failure of a course and expulsion.

Our definition of cheating includes but is not limited to:

1. Plagiarism—the use of another's work as one's own without giving credit to the individual. This includes using materials from the internet.

2. Copying another's answers on an examination.

3. Deliberately allowing another to copy one's answers or work.

4. Signing an attendance roster for another who is not present.

In the special instance of group work, the instructor will make clear his/her expectations with respect to individual vs. collaborative work. A violation of these expectations may be considered cheating as well.

For further information on this subject you may refer to the Academic Dishonesty section of the University's online catalog.

In conclusion, it is our mission to prepare each student for a life of significance and service. Honesty and ethical behavior are the foundation upon which such lives are built. We therefore expect the highest standards of each student in this regard.

Reading and Assignment Guide

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 1 | 1 | 1 - 6 | 1 - 2 (N)<br>1 (A) |
| | 2 | 1, 3, 4 | 4, 5 (N) |

Introduction to macroeconomic analysis; the business cycle; fluctuations and growth; currents of thought in macroeconomics; the calculation of GDP: expenditures and income approaches; the relationship between money (nominal) GDP, real GDP, and the implicit price deflator; potential GDP and the GDP gap; unemployment, the natural rate, and recession; inflation, the Paasche index and the Laspeyres index; short-run and long-run growth; current economic conditions, data, and policies.

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 2 | 3 | 2, 3, 5 | 3 (N) |
| | 4 | | |

The labor market; measuring unemployment; the natural rate of unemployment; Okun's law; the Phillips curve. European unemployment; price level movements, growth, and employment.

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 3 | 5 | 1, 3 | 1, 2, 3 (N) |

The determinants of economic growth; potential and actual GDP; the Solow growth model; the role of technological change.

Review class notes, text readings, Questions, and Problems. It is expected that students will be informed on current economic conditions, data, and policies. Review Questions will be covered before the examination.

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 4 | 6 | 1, 2, 3, 11 | 1, 2 (N)<br>5 (A) |

The neoclassical growth model; real wages and labor productivity; policies to stimulate growth.

EXAMINATION 1

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 5 | 7 | 6, 8 | 1 (N)<br>3, 4 (A) |
| | 8 | 1- 6 | 2, 3, 4 (A) |
| | 9, 10, 11 | | |

The basic Keynesian income determination model; the “spending balance;” theories of the Consumption function; the stagnation hypothesis; the concept of the multiplier; aggregate supply and aggregate demand; theories of investment; present and future value; the decision to invest.

| Session | Chapters in Hall and Papell | Questions for Discussion and Review | Problems: Numerical (N) Analytical (A) |
|---|---|---|---|
| 6 | | | |
| | 12 | 1 - 6 | |
| | 13 | 1, 2, 3 | |
| | 14 | 2, 4 | |

Fiscal policy and fiscal policy multiplier relationships; the Keynesian approach; monetary policy and the FED; channels of monetary policy; monetary policy transmission mechanism; Monetarists' view of policy; the effects of price and interest rate changes; the Taylor rule.

The IS and LM model; the use of monetary and fiscal policy; the role of the FED; policy lags; the bond market; introduction to the foreign sector.

Session

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A continuation of the IS and LM model with applications. Review class notes, text readings, Questions, and Problems. It is expected that students will be informed on current economic conditions, data, and policies. Review Questions will be covered before the examination.

EXAMINATION 2