

**Ave Maria University
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**Principles of Macroeconomics
Economics 201**

MWF

8:15 - 9:20 am

Canizaro 155

For anyone who wants to understand the world, or to make a difference in it, there are probably few sciences more helpful than economics. Rarely can you open a newspaper and find an event that is not, somehow, related to economics. There are economic forces behind wars and peace treaties, democratic elections and revolutions, street protests and corporate bankruptcies. There are economic factors behind decisions on culture and the environment, on marriage and family, on leisure and work. Your choice of education and your future career are, in some way, influenced by economics.

Economics is the science that studies scarcity. It studies how societies satisfy human wants – which seem to be unlimited– with limited resources. It is the branch of human knowledge that deals with the problem of material provisioning –the production, consumption, and distribution of material goods and services.

Macroeconomics is the branch of economics that deals with the big picture. Issues like unemployment, fiscal deficits, inflation, economic growth, saving, trade, and exchange rates are properly within the range of macroeconomics. The lead actors of macroeconomic plays are people like Fed Chairman Ben S. Bernanke and the Secretary of the Treasury, the World Trade Organization, and the International Monetary Fund.

Like most everything else that you study in school, theory in economics is an abstraction, or simplification, of innumerable complex relationships in the real world. When thinking about some aspects of behavior, economists will build a model –derived from economic theory– that attempts to explain the behavior under examination. Economists draw hypotheses from the model, check them against real-world data, and refine the model.

Economics is not a closed science. Our ideas about human behavior are drawn from the social sciences and from philosophy. We use mathematics extensively to express ourselves precisely. We test our hypothesis against real-world data with the help of statistics. Economic concepts and methods are often applied in fields as diverse as political science and ecology.

Economics is interesting in its own right, because with it we understand human behavior and societies better. And it is also interesting because of its implications for policy, at the level of government, business, and family.

Course Objectives *Students who graduate with an Economics Major at AMU will be capable of thinking and writing like economists, of making sound, well-integrated, and well-informed arguments about the national and global economy. Students will*

- *Understand the institutions, facts, and events of the economy*
- *Command the main theories, terminology and arguments of the economic profession.*
- *Integrate Catholic social teaching and social philosophy into economic argumentation.*
- *Be able to use economic theory and methods to explain and predict economic events and facts.*
- *Know how to carry out academic research and how to make an effective argument*

This course will introduce you to a number of *institutions* related to the economy, particularly the US Federal Reserve (i.e., the central bank in the United States); and to large amount of *facts* and *events*. You will learn the facts and events of US economic history and monetary policy particularly well (e.g., the Great Depression, the disinflation of the 1980s, American policy-makers, etc.). The *Economic Policy Papers* will be particularly useful for this purpose.

The textbook and the lectures will help you become very familiar with some of the most important macroeconomic concepts (such as GDP, inflation, interest rates, unemployment, saving, investment, international capital flows, and exchange rates); the aggregate demand/aggregate supply model (with which we will derive equilibrium output and inflation in the short run and in the long run, with particular attention to the role of monetary policy, so that you will learn about the role of policy and the concept of the self-correcting economy); models of different markets such as the market for money, for saving flows, for international capital flows, and for foreign exchange; and the determinants of economic growth.

This class will give you a flavor of the long intellectual history of economics, its rich cast of characters, and its complex roots. A key of the class will be an examination of how diverging schools of thought see the market economy and the role of the government. This will become a recurrent theme as we explore the self-correcting workings of a capitalist economy and the role of policy.

My hope is that this class will introduce you to *thinking* like an economist, that is, to use the tools and skills of the economist (such as equilibrium analysis, statistical evidence, and modeling) in a natural, habitual way. The *Economic Policy papers* will be particularly helpful – you will use economic theory and methods to explain and predict economic events and facts (i.e., the likely course of the economy and therefore the needed monetary policy) and you will learn how to make an effective argument based on evidence.

Readings

Modern Principles of Economics

Robert Frank, Ben Bernanke

Fifth Edition ©2012

ISBN-10: 0073511404

ISBN-13: 978-0073511405

The Secrets of Economic Indicators (3rd edition), by Bernard Baumohl
ISBN 9780132932073

The Wall Street Journal

Optional

Schaum's Outline of Mathematical Methods for Business and Economics, Edward Dowling

ISBN 0071635327

Schaum's Outline of Macroeconomics, Eugene Diulio

ISBN 0070170533

Evangelii Gaudium

ISBN 1601374585

Grading	Attendance and Participation	14%
	Homework	20%
	One Quiz	2%
	Four Tests	44%
	Final Exam (cumulative)	20%

A more flexible class Did you ever wish that the teacher could repeat what he just said ... or perhaps pause him, while you think about the ideas? Don't you ever find yourself preparing for a test, wishing that you could just play a part of the lecture again?

If so, your wishes have come true! I've recorded all of the lectures for this class and put them on YouTube. So, if you want, you can listen to the lecture anytime, anywhere!

The best way to get something out of a class is to prepare for it. So I will encourage you to read the book and watch the lectures before you come to class, and we'll build the in-class work on your preparation.

Preparing for class For every topic, there will be reading assigned from the textbook, and also video lectures that I've put on YouTube. You can look at both or either before you come to class.

I will give you hints and study guides about what is most important in each chapter to help you prepare. Our class work will depend on your preparation.

Attendance and Participation

Attendance

On the basis of your preparation, we will do a lot of work in class. So you have to come.

That said, life happens, so it's ok if you have to miss class a few times -- you

will be allowed three absences (excused or unexcused) before you start losing points to the grade. If you know ahead of time that you will have to miss class (weddings, games, travel, etc.), plan to minimize other reasons for missing class. Going to bed before midnight is a good idea.

Participation

In class, I will explain the main ideas of the chapter. Then I will show you how these ideas are used to solve real-life problems. Then we will do exercises in class where you will apply what you just learned -- some of these exercises will be easy, others will be a little harder.

The exercises will ask you to get involved! On different days, we will do in-class debates, worksheets, discussions, etc. Your grade will depend on your participation in these exercises.

Homework Economics is learned by constant practice. The exercises we do in class will lead into the homework that you will do through McGraw-Hill Connect, hopefully every day.

The best way to do the homework is to set aside some time (say, 30 minutes) every day. Although the due date will be the day before Tests (or the quiz), you will benefit more if you do the homework immediately after we discuss the chapter in class.

Quiz, Tests, and Final Exam The quiz, tests, and final exam will include definitions, short-answer questions, and problems.

What is the best way to prepare?

- Spend 30 minutes every day preparing for the class (read the chapter, watch the lecture, use the study guide). Summarize the chapter and the lectures and memorize the meaning of the Key Terms at the end of each chapter.
- Do 30 minutes of the homework every day. Review the answers and try to do them again.
- When you study for a test, review your summaries and try to explain the material to other people.

Email You will get lots of emails from me.

- I will send you emails to your my.avemaria.edu email account.
- Check that you are able to receive emails, and keep checking.

Laptops This class will require that you have a laptop.

- If you don't have one, you should try to borrow one or buy one by the second day of class.
- All of your Quizzes and Tests will be taken on your laptop, and all of

the homework will be turned in through the computer. Except for the quiz and tests, the use of laptops, phones, and tablets during class is not allowed.

Blackboard <https://avemaria.blackboard.com/>

We will use Blackboard for

- The syllabus
- Homework
- Quizzes and Tests
- Links to YouTube Lectures
- Lecture Notes and supplementary handouts
- Information on each assignment
- Study guides
- Setting out the schedule and announcing changes to the schedule.
- Pointing you to interesting resources.
- Collecting the papers
- Setting up online discussions on the readings.



If you can't access this course's Bb page, please contact me. It is your responsibility to check the Bb page constantly, as updates will be made on a regular basis. Very, very little will be handed out in class.

Some very useful web-sites

<http://www.calculatedriskblog.com/> this is a great site for current views on the economy. Also of great interest are the links to other blogs on the right-hand side.

<http://www.rgemonitor.com/> This is Nouriel Roubini's Global Macro and Financial Policy website (he's a professor at NYU), and it's a gold mine.

<http://www.j-bradford-delong.net/> Another macro professor's useful website, Brad DeLong at Berkeley.

<http://www.fedstats.gov/> This is Fedstats, the website managed by the US government. It connects you with any US government agency statistics you can imagine.

<http://www.gpoaccess.gov/eop/>, the Economic Report of the President, is full of macro data and analysis.

<http://www.frbsf.org/publications/fedinprint/index.html> Fed in Print, a comprehensive index to Federal Reserve economic research, is the general search screen for all the research publications of the regional Fed banks and the Board of Governors. All of the Federal Reserve Banks have websites with research papers.

<http://www.imf.org/external/ns/cs.aspx?id=29> is the IMF's World Economic Outlook, which presents IMF staff economists' analyses of global economic developments during the near and medium term.

<http://www.imfstatistics.org/imf/> is famous macroeconomics research database for international data, the IMF's International Financial Statistics. Ask me or a librarian for the password.

<http://data.worldbank.org/data-catalog> has really good, free and easily accessible worldwide data on macroeconomics.

<http://research.stlouisfed.org/fred2/> has really good, free and easily accessible US data on macroeconomics.

Final Advice

Do your work honestly. The point of the class is to learn, not to add up points for a grade. Do not kid yourself that you learn anything by copying the work of others. Plus, as Prof. Robert George said to a class of distinctly uncomfortable Princeton students, God will see you doing evil. You are here to learn to be a better person. And you will be held by the University's Honor Code.

Form study groups. Come to my office hours or make appointments to meet with me. I have found that regular out-of-class meetings with the professor make a significant difference in student's performance in a class. I strongly encourage you to meet me, especially in groups of two or three.

Disabilities

Any student who needs an accommodation due to a documented disability should contact the Counseling Services Office within the first two weeks of class to coordinate reasonable accommodations. You may also want to contact me privately to discuss your specific needs.

Schedule of Classes, Readings, and Assignments

This schedule is not meant to be fixed forever. We will adjust it if we need to.

	Date	Tests	Readings
Jan	13 M		Introduction
	15 W	Math check	1 Thinking Like an Economist
GDP, GROWTH and SAVING			
	17 F		18 Economic Growth
	20 M		
	22 W		20 Chapter 20 Part 1: The Financial System
	24 F	Quiz	15 Spending, Income, and GDP Teaching Note
	27 M		
	29 W		
	31 F		
Feb	3 M		19 Saving, Capital Formation, and Financial Markets
	5 W		
	7 F		
	10 M		
	12 W	Test	The Federal Budget: Taxes and Spending
RECESSIONS AND EXPANSIONS			
	14 F		21 Short-Term Economic Fluctuations Teaching Note
	17 M		
	19 W		17 Chapter 17 Part 2: Unemployment
	21 F		
	24 M		22 Spending, Output, and Fiscal Policy
	26 W		
	28 F		
Mar	3 M		
	5 W	Test	Classical Economics versus Keynesian Economics
	7 F		Video and Mid-semester Recap
MONEY AND INFLATION			
	10	Spring Break	
	12	Spring Break	
	14	Spring Break	
	17 M		16 Inflation and the Price Level
	19 W		
	21 F		20 Money and Prices Teaching Note
	24 M		
	26 W		23 Monetary Policy and the Federal Reserve
	28 F		23 Monetary Policy and the Federal Reserve
	31 M	Test	23 The Structure and Purposes of the Federal Reserve
THE WHOLE ECONOMY			

April	2	W		24	Aggregate Demand, Aggregate Supply, and Business Cycles
	4	F			
	7	M			
	9	W			
	11	F		25	Macroeconomic Policy Teaching Note
	14	M			
	16	W		26	Exchange Rates, International Trade, and Capital Flows
	18	F	Good Friday		
	21	M	Easter Monday		
	23	W			
	25	F			
	28	M			
	30	W	Test		
May	2	F	Reading Day		Review Session for the Final
	3	Saturday			Final Exam, 10:00am - 1:00pm

“A” students versus “D” students

The following information is designed to explain what behaviors are likely to earn you an A versus a D. Treat the nine dimensions as guidelines for earning these grades rather than rigid conditions for or guarantees of success.

In a given class, for example, an “A student” can earn a D if he doesn’t try hard ... while a stereotypical “D student” who really puts his heart into the class can earn an A. On the other hand, an A student may earn an A without satisfying the characteristics of an A student on all nine dimensions. It is very difficult for anyone, no matter how exceptional, to consistently exhibit every quality associated with that of an A student.

"A" or Outstanding Students	"D" or Mediocre Students
1. Ability (Talent)	
...have special aptitude, motivation, or a combination of both. This talent may include either or both creativity and organizational skills.	...vary greatly in aptitude. Some are quite talented but their success is limited by a lack of organizational skills or motivation. Others are motivated but lack special aptitude.
2. Attendance (Commitment)	
...never miss class. Their commitment to the class resembles that of their professor. Attending class is their highest priority.	...periodically miss class and/or are often late. They either place other priorities (such as a job) ahead of class or have illness/family problems that limit their success.
3. Attitude (Dedication)	
...show initiative. Their desire to excel makes them do more work than is required.	...seldom show initiative. They never do more than required and often do less.
4. Communication Skills	
...write well and speak confidently and clearly. Their communication work is well-organized, covers all relevant points, and is easy to listen to/read.	...do not write or speak particularly well. Their thought processes lack organization and clarity. The professor may need a second reading to comprehend the meaning of their written work.
5. Curiosity	
...are visibly interested during class and display	...participate in class without enthusiasm, with

interest in the subject matter through their questions.	indifference, or even boredom. They show little, if any, interest in the subject matter.
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Note: Performance is a joint function of a student's native ability and motivation. Punctuality, attendance, attitude, curiosity, effort or time commitment, and preparation all indicate motivation.

"A" or Outstanding Students	"D" or Mediocre Students
6. Performance	
...obtain the highest scores in the class. They exhibit test-taking skills such as an ability to budget their time and to deal with test anxiety. They often volunteer thoughtful comments and ask interesting questions.	...obtain mediocre or inconsistent scores. They often do not budget their time well on exams and may not deal well with test anxiety. They rarely say much during class discussion and their answers indicate a cursory understanding rather than mastery of material.
7. Preparation	
...are always prepared for class. They always respond when called on. Their attention to detail sometimes results in catching text or teacher errors.	...are not always prepared for class. They may not have fully completed the assignment, have completed it in a careless manner, or hand in their assignments late.
8. Retention	
...learn concepts rather than memorize details so they are better able to connect past learning with present material. They recall most of the material years after the exam.	...memorize details rather than learn concepts. Since they usually cram for tests, they perform relatively better on short quizzes than on more comprehensive tests such as the final exam. They forget everything after the exam.
9. Time Commitment (Effort)	
...maintain a fixed study schedule. They regularly prepare for each class no matter what the assignment. They average 3-4 hours of study for every hour in class.	...study only under pressure. When no assignment is due, they do not review or study ahead. They average not more than 2 hours of study for every hour in class. They tend to cram for exams.

Adapted from Solomon, P. and Nellen, A. (February 1996). The Teaching Professor, pp. 3-4.

Your workweek. How do you plan to use your time?

	Monday	Tuesday	Wednesday	Thursday	Friday
8:00 AM					
9:00 AM					
10:00 AM					
11:00 AM					
12:00 PM					
1:00 PM					
2:00 PM					
3:00 PM					
4:00 PM					
5:00 PM					

