

Text: Macroeconomics 5th Edition by R. Glenn Hubbard & Anthony Partrick O'Brien  
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office hours: MW 10-11 AM & 2:30- 3:00 PM, TTH 7:00-7:45 AM  
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This course introduces students to the principles that explain the operation of the national economy. Topics to be analyzed include consumption of products, exchange, aggregate output, the money supply, national income, price level, economic growth, international trade, international finance, and macroeconomic policies.

*Note: Economics or Business majors should consult with a counselor to determine which intermediate algebra course is appropriate for the major.*

### Course Objectives:

1. Define and describe the principal tools utilized in economic analysis.
2. Describe the central economic problem of scarcity and the economic resources available to produce the goods and services which satisfy society's material wants.
3. Explain the significance of demand and supply and how prices are determined in markets.
4. Analyze the economic roles played by households, businesses, governments, and international trade in the United States economy.
5. Calculate the rate of unemployment and the rate of inflation utilizing numerical data.
6. Calculate Gross Domestic Product utilizing numerical data.
7. Examine the primary determinants of economic growth in an economy.
8. Analyze how various economic changes impact national output, unemployment and inflation using an Aggregate Demand/Aggregate Supply model.
9. Describe and discuss the principal tools of fiscal policy and how the federal government uses these tools to correct unemployment problems and inflation.
10. Evaluate the operations of private banks and the role the private banking system plays in the conduct of Federal Reserve Bank monetary policy.
11. Identify the principal tools of monetary policy available to the Federal Reserve System and assess how they are utilized to correct problems of unemployment and inflation.
12. Calculate the balance of payments utilizing numerical data and discuss how foreign exchange rates are determined.
13. Describe and analyze international trade and the types of restrictions governments impose on international trade.

**Student Learning Outcomes:** Using tools of economic analysis, student will be able to explain basic concepts or ideas.

### ADA Statement:

El Camino College is committed to providing educational accommodations for students with disabilities upon the timely request by the student to the instructor. A student with a disability, who would like to request an academic accommodation, is responsible for identifying herself/himself to the instructor and to the Special Resource Center. To make arrangements for academic accommodations, contact the Special Resource Center.

### Student Code of Conduct

<http://www.elcamino.edu/administration/board/boarddocs/5500%20%20Academic%20Honesty.pdf>

### Student Rights and Grievances Procedure 5530

<http://www.elcamino.edu/administration/board/policies.asp>

READING LIST and student objectives (What students should learn to do, if they wish to succeed)

#### SECTION I: Introduction to Economics

A: ECONOMIC Foundations and Role of Economic Models

#### CHAPTER 1

In this chapter, the student should be able to:

1. distinguish between the real part of an economy and the (paper) financial part of an economy
2. describe the processes called production, consumption, exchange and give examples of each activity
3. describe the scarcity-choice problem
4. verbally and graphically describe negative (inverse) relationships and positive (direct) relationships

B. PRODUCTION POSSIBILITIES CURVES (Scarcity and the World of Trade-offs)

#### CHAPTER 2

In this chapter, the student should know how to describe the following using hypothetical production possibilities curves:

1. **the opportunity cost of producing a product**
2. **the law of increasing opportunity costs**
3. **economic growth and economic decay**

**4. the law of comparative advantage and the gains associated with specialization (see also chapter 6)**

**C. MARKET SYSTEMS (Demand and Supply curves and the Price system)**

**CHAPTER 3**

In this chapter, the student should know how to do the following:

1. verbally and graphically distinguish the following using a hypothetical market demand curve
  - a. changes in quantity demanded versus changes in demand
  - b. marginal benefit (marginal value), price and **consumer surplus** [see page 102-104]
2. verbally and graphically distinguish the following using hypothetical market supply curves
  - a. changes in quantity supplied versus changes in supply
  - b. marginal cost, price and **producer surplus** [see page 105]

**\*3. verbally and graphically describe the following, using hypothetical market demand and market supply curves**

- a. market equilibrium and market disequilibrium**
- b. changes in market equilibrium**

**D. MARKETS EFFICIENCY & THE ROLE OF GOVERNMENT (Public Spending and Public Choice)**

**CHAPTER 4**

In this chapter the student should know to the following about firms

1. define the different types of firms
2. define the principal-agent problem
3. define business firm finance
4. define corporate governance policy

**E. INTERNATIONAL TRADE**

**CHAPTER 7**

In this chapter, the student should know to do the following using hypothetical demand and supply curves

1. verbally and graphically describe the conditions necessary for a nation to be a net exporter of a product
2. verbally and graphically describe the conditions necessary for a nation to be a net importer of a product

**\*3. verbally and graphically, describe the following**

- a. free trade equilibrium and the gains and losses generated at this equilibrium**

- b. describe trade restrictions (tariffs and quotas) and the gains and losses generated by these trade restrictions**

**F. INTERNATIONAL FINANCE**

**CHAPTER 18 & 19**

In this chapter, the student should know how to do the following using hypothetical demand and supply curves

**\*1 verbally and graphically describe the following**

- a. a flexible (free) foreign exchange rate system and its consequences**

- b. a fixed (managed) foreign exchange rate system and its consequences [see appendix of chapter 19]**

2. verbally and graphically describe how the foreign exchange rates change

\*\*\*\*\*Examination 1, approximately end of week 6\*\*\*\*\*

**SECTION II: Introduction to Macroeconomics**

**A. MONEY AND MONEY SUPPLY (Money, Banking and Central Banking)**

**CHAPTER 14& 15**

In this chapter the student should know to do the following

1. define the economic role of money in economic systems
2. define the money supply of a nation and the role of the commercial banks
3. define the fractional reserve banking law

**\*4. explain how the Central Bank (e.g. The Federal Reserve Banking System) uses “Open Market Operations” affects the size of Nation’s money supply**

- a. your answer has to include how “Open Market Operations” affects commercial banks and how commercial banks affects the nation’s money supply**

- b. your explanation has to include an explanation of how commercial banks cause monetary expansion and how commercial banks cause monetary contraction using a hypothetical reserve ratio and excess reserves**

**B. MACROECONOMIC VARIABLES (The Macroeconomy: Unemployment and Inflation)**

**CHAPTER 8**

In this chapter the student should know to do the following

1. define national output (aggregate output) and the role of real GDP
2. define the price level and the role of the price index

**\*3. contrast real variables (i.e. real wages, real prices, real balances) with monetary or nominal variables[your explanation must include hypothetical data to contrast the real value with the money or nominal value**

**C. MACROECONOMIC PROBLEMS**

**CHAPTER 8 & 9**

In this chapter the student should know to do the following

1. explain the causes and consequences of changing price levels (inflation and deflation)
2. explain the causes and consequences of unemployment (natural unemployment and cyclical unemployment)
3. explain the causes and consequences of economic growth and economic decay (see chapter 16)

**D. BASIC MACROECONOMIC MODEL**

**CHAPTER 13**

In this chapter the student should know to do the following

1. verbally and graphically describe the aggregate demand curve
2. verbally and graphically describe the long-run aggregate supply curve
3. verbally and graphically describe the short-run aggregate supply curve
4. verbally and graphically describe various macroeconomic equilibriums

### SECTION III: Macroeconomic Models

#### A. ECONOMIC FLUCTUATIONS (Classical and Keynesian Macro Analyses)

**CHAPTER 13**

In this chapter the student should know to do the following

1. verbally and graphically describe the aggregate demand and aggregate supply equilibrium
2. verbally and graphically describe the labor market equilibrium
3. verbally and graphically describe the loanable funds market equilibrium
4. verbally and graphically describe the foreign market equilibrium

**\*5. Using hypothetical AD and AS curves, in detail, verbally and graphically describe business cycle problems**

#### B. AGGREGATE EXPENDITURES (Consumption, Real GDP and the Multiplier)

**CHAPTER 12**

In this chapter the student should know to do the following

1. verbally and graphically describe the consumption function
2. verbally and graphically describe the investment function
3. verbally and graphically describe the government expenditures function
4. verbally and graphically describe the net exports function
5. verbally and graphically describe the aggregate expenditures function

**\*6. Using a hypothetical Keynesian Consumption, Investment, Government expenditures, Net Export and Aggregate Expenditures Curves verbally and graphically describe the Keynesian equilibrium and the Keynesian expenditures multiplier**

#### C. FISCAL POLICY

**CHAPTER 16**

In this chapter the student should know to do the following

1. verbally and graphically describe the role of changes in government expenditures
2. verbally and graphically describe the role of changes in government taxes

#### D. MONETARY THEORIES,

**CHAPTER 15**

In this chapter the student should know to do the following

- \*1. describe the Quantity Theory of Money [your description must include hypothetical data]**
- \*2. verbally and graphically describe the Indirect Channel Theory of Money**
3. verbally and graphically describe the Direct Channel Theory of Money
4. verbally and graphically describe monetary targets versus interest rate targets

#### E. POLICY DEBATES (Stabilization in an Integrated World Economy)

**CHAPTER 17**

In this chapter the student should know to do the following

1. verbally and graphically describe the active approach
2. verbally and graphically describe the passive approach
3. verbally and graphically describe the role of expectations

#### F. ECONOMIC GROWTH AND ECONOMIC DECAY (Policies and Prospects for Global Economic Growth) **CHAPTER 9 & 10**

In this chapter the student should know to do the following

1. verbally and graphically describe the sources of economic growth and economic decay
2. describe the rule of 72
3. verbally and graphically describe economic growth and economic decay using AD and AS curves

\*\*\*\*\***Final examination – last class meeting**\*\*\*\*\*

Grading: total points possible = 1000 + extra credit points

1. Scale: A=900+, B=800-899, C=650-799, D=500-649

2 Components of your grade

- a. Three exams (first two exams are 60% essay and 40% multiple choice, last exam is either all multiple choice or all essay) (where exam # 1 is worth 200 points and the last two exams are worth 250 points each)
- b. 9 assignments (all assignments are short answer or fill-in questions = 180 points maximum or 20 points for each assignment)
  - (1) all late assignments are marked down 20% (late assignments not accepted after assignments are graded and returned to students)
  - (2) (all assignments will be marked down up to 20%, if they are messy)
- c. complete 2 section outlines) 120 POINTS maximum (or 60 points each)
  - (1). these outlines have to be typed
  - (2). These section outlines have to be submitted before the exam on that section, where 10 points are earned on the first draft and 50 points are earned on the final draft
  - (3) The outlines have to be a minimum of 5 pages, using standard fonts (10-11 point)
  - (4) The outlines have to include all information from lectures, including graphs
- d. extra credit : to be determined by instructor and must be typed or you will not get credit + Class participation

A. Exams

1. exam 1 score = \_\_\_\_\_/200 points

2. exam 2 score = \_\_\_\_\_/250 points

3 exam 3 score = \_\_\_\_\_/250 points

B. Assignments

assignment 1 score = \_\_\_\_\_/20 points

assignment 2 score = \_\_\_\_\_/20 points

assignment 3 score = \_\_\_\_\_/20 points

assignment 4 score = \_\_\_\_\_/20 points

assignment 5 score = \_\_\_\_\_/20 points

assignment 6 score = \_\_\_\_\_/20 points

assignment 7 score = \_\_\_\_\_/20 points

assignment 8 score = \_\_\_\_\_/20 points

assignment 9 score = \_\_\_\_\_/20 points

C. completed outlines

1 section outline #1 = \_\_\_\_\_/60 points

2 section outline #2 = \_\_\_\_\_/60 points

**D. extra credit points =**

\_\_\_\_\_ - points

**E. total points =**

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