

# Economics 1015

Principles of Macroeconomics

Winter 2009

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**Office Hours:** 9am – 10:30 am Monday and by appointment

**Course Webpage:** TBA

## Required Texts:

- Frank and Bernanke

## Optional Material

- *The Wall Street Journal*

## I. Course Objective

Economics is a social science. More precisely, it is “the study of allocation of scarce resources among competing ends in the pursuit of individual and social satisfaction.” This means that people, sometimes collectively, make decisions, facing limited amounts of time and resources. These limitations are embodied in tradeoffs. In other words, economics would not be very interesting if people did not face some limitations. We could all be infinitely happy.

Macroeconomics generally refers to a collection of questions about how aggregate economic outcomes are determined. In short, we will be focusing on measures of economy-wide variables and on theories that can account for those observations. This material will be especially topical given the recession in the United States.

### A. Exams

There will be three exams during the course of the semester and a comprehensive final exam. Each exam will consist of short-answer essay questions. The examination material will be taken from lectures. There is reading material—either my notes or specific chapters from Frank and Bernanke—that I have identified to accompany the lectures.

The examinations provide some gauge of your understanding of the class material. Each midterm is worth 100 points and the final is worth 200 points. I will drop the lowest midterm grade.

Before each exam, I will hold a review session. The Final Exam is scheduled for Thursday, May 14, 2009 from 3:30 pm to 5:30 pm.

### B. Makeup Exams

There will be no makeup exam. Because one exam will be dropped, the student missing one exam will take a zero for the missed exam.

### C. Lab Points

I will post problem sets for you. TAs will present answers during lab sections. The problem sets will not be graded, but it behooves you to work on them since exam questions will be similar. I strongly suggest that you work on the problems sets with classmates.

## D. Grades

A person's grade will be determined according to the following formula. There are a total of 400 points available. I will curve the score. The curve is determined by the median score among those students taking the final exam. The median score will be assigned a value of 80 percent. For all other students, the grade will be computed relative to that median score. To illustrate, suppose the median score is 300 points. Suppose you receive 275 points for the semester. Your grade will be 275 times 0.8 divided by 300, or 73.3%. Following the table provided below, a person scoring 275 with a median grade of 300 will receive a C for their semester grade. More generally, your total points time 0.8 divided by the median score among your class. Once this value is computed, grades will be assigned as follows:

In percentage terms,

93% and higher—A	70%-72.9%--C-
90%-92.9%--A-	67%-69.9%--D+
87%-89.9%--B+	63%-66.9%--D
83%-86.9%--B	60%-62.9%--D-
80%-82.9%--B-	Below 60%--F
77%-79.9%--C+	
73%-76.9%--C	

## E. Academic Honesty

You should not receive any external aid on examinations or quizzes. This includes providing assistance to or receiving help from another person, or using notes or the texts. Written reports of any violations to the academic honesty code will be given to the chairman of the Department of Economics and to the Office of the Provost in strict accordance with University Policy.

## F. Disability

It is up to you to have a certified disability from the access office. Certification means that you are subject to a disability which requires that adjustments or special arrangements be made to access the lectures and/or obtain a fair test of your performance in this class. It is your responsibility to inform me of the nature of disability and the required adjustments as soon as possible.

## II. Study Guide

### A. Measuring Aggregate Economic Activity

<u>Class session</u>	<u>Topic</u>	<u>Book Chapter</u>
Lec 1 (Jan 20) GDP	Introduction/measurement	Spending, Income, and
Lec 2 (Jan 22) Note that Problem Set #1 will be posted and will be material for labs during week of Jan 27-29	Income measurement	
Lec 3 (Jan 27) Level	Measuring the price level	Inflation and the Price

Lec 4 (Jan 29) Prices and Inflation  
Note that Problem Set #2 will be posted and will be materials labs during week of Feb 3-5

Lec 5 (Feb 3) Employment and Unemployment Wages and Unemployment

Lec 6 (Feb 5) Employment  
Note that Problem Set #3 will be posted and will be material for labs during week of Feb 10-12. This ends the material for the first midterm exam

### **B. Economic Growth**

Lec 7 (Feb 10) Growth Facts Economic Growth

Lec 8 (Feb 12) Growth Facts and a Model

Lec 9 (Feb 17) First Midterm Exam

Lec 10 (Feb 19) Optimal Growth and comparative statics  
Note that Problem Set #4 will be posted and will be material for labs during week of Feb 24-26.

Lec 11 (Feb 24) Growth and Productivity

Lec 12 (Feb 26) Financing Growth: savings Financial Markets  
Note that Problem Set #5 will be posted and will be material for lecture during March 3-5.

Lec 13 (Mar 3) Market for savings—Asset prices

Lec 14 (Mar 5) Commercial banks Chap. 11  
Note that Problem Set #6 will be posted and will be material for labs during week of Mar 10-12.

Lec 15 (Mar 10) Institutions—The Federal Reserve System

Lec 16 (Mar 12) Payment System  
Note that Problem Set #7 will be posted and will be due in labs during week of Mar 17-19

Lec 17 (Mar 17) Economic Growth Review

Lec 18 (Mar 19) Second Midterm Exam

- **Spring Break from Mar 21 until Mar 29.**

Lec 19 (Mar 31) Business Cycles Facts No chapter

Lec 20 (April 2)            A model of business cycles            No chapter  
Note that Problem Set #8 will be posted and will be due in labs during week of April 7-9

Lec 21 (Apr 7)                    Fiscal Policy Effects

Lec 22 (April 9)                    Monetary Policy Effects  
Note that Problem Set #9 will be posted and will be due in labs during week of April 14-16

**C. International Economics**

Lec 23 (Apr 14)                    Tariffs and Quotas

Lec 24 (Apr 16)                    Exchange rates                    Chap 17

Lec 25 (Apr 21)                    Nominal Exchange

Lec 26 (Apr 23)                    Purchasing power parity

Lec 27 (Apr 28)                    Real Exchange Rates

Lec 28 (May 5)

Lac 29 (May 7)

- Final Exam: Thursday, May 14, 2009