

Approved 4-17-07  
Senate - Info. 5-1-07

06-5a

## Undergraduate Distance Education Review Form

(Required for all courses taught by distance education for more than one-third of teaching contact hours.)

### Existing and Special Topics Course

Received

Course: ECON 121 Principles of Macroeconomics

APR 11 2007

Instructor(s) of Record: Nicholas Karatjas

Liberal Studies

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Email: karatjas@iup.edu

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### Step One: Proposer

A. Provide a brief narrative rationale for each of the items, A1- A5.

1. How is/are the instructor(s) qualified in the distance education delivery method as well as the discipline?

I am a qualified instructor. I have used WebCT software previously in some of my classes. When I used WebCT, I used tools for grading, discussions, internet resources, readings, syllabi, and assignments. My students and I have had no significant problems using WebCT. I would also take advantage of the support offered by the Instructional Design staff if I had any questions/problems. In addition to using WebCT, I have evaluated other online software provided by various textbook publishers. I am currently using Aplia. On Aplia's web site it states: "For students, Aplia offers a way to stay on top of coursework with regularly scheduled homework assignments. Interactive tools and content further increase engagement and understanding." I have built my current ECON 122 Principles of Microeconomics classes around Aplia. A very close substitute (My Econ Lab) is produced by Pearson and will be used if one of their textbooks is selected.

2. How will each objective in the course be met using distance education technologies?

*Objective # 1* – To explain how aggregate income, employment and output are determined in the macroeconomy.

*How Objective # 1 will be met* – Students will be assigned readings that relate to the way our aggregate economic system works. The course is set up using a building block approach. Initially, students will be introduced to a general overview of economics and the market system. Next, the business cycle and the procedures used to measure production, unemployment, and inflation will be developed. The chapter discussions will be supplemented by exercises that have students calculate GDP, unemployment rates, and rates of inflation. Students will be directed to web sites that provide real-world examples and integrate current economic news. In addition, students will be introduced to economics statistics and national income accounts.

*Objective # 2* – To appreciate the social consequences of macroeconomic instability, including the differential impact of inflation and unemployment on minorities.

*How Objective # 2 will be met* – Students will examine the causes of the business cycle. As a specific example, students will learn the origin of and what happened during the Great Depression. They will identify and describe the primary macroeconomic variables including inflation and unemployment and the differential impact on different groups in society. Students

will utilize the internet for finding information including macroeconomic data about the impact of the economic downturns on different groups.

*Objective # 3* – To understand how macroeconomic stabilization policies are used to bring about full employment and price stability including the differential effects of alternative policy solutions on minorities.

*How Objective # 3 will be met* – Students will be assigned readings that relate to the functioning of the U.S. economy. Through the use of analytical models, students will learn to use models to gain an understanding of relationships that sheds light on or helps solve economic, political, and social problems. Students will learn the principles of how monetary and fiscal policies work and their separate effects on the economy. Specifically, students will examine the potential impact of government purchases and taxes on overall spending (called fiscal policy). Also, the role of money in the U.S. economy, our banking system, and how money is created will be explored. Finally, the problems that have plagued the economy and current macroeconomic problems and their impact on different groups in society will be examined. This will be reinforced through exercises that provide relevant examples.

*Objective # 4* – To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.

*How Objective # 4 will be met* – Once students have a basic understanding of macroeconomic principles they will work with the aggregate demand and supply (AD/AS) model to explain how overall spending in the private sector determines national income, employment, and the level of prices. This will furnish the student with the tools for analyzing current macroeconomic issues. A series of exercises using the AD/AS model will be used. In these exercises, students will be able to simulate various scenarios.

*Objective # 5* – To lay the foundation for understanding the role of the economist in government, industry, and education.

*How Objective # 5 will be met* – Application of concepts and principles is at the heart of the economic way of thinking. Each chapter contains many applications designed to help students develop an orderly, systemic way of thinking through economic problems that are faced by economists in government, industry, and education. The readings contain many references to problems that economists attempt to solve. Also, students will gain a better understanding of business news including the financial pages.

*Objective # 6* – To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

*How Objective #6 will be met* – As noted above, application of concepts and principles is at the heart of the economic way of thinking. Each chapter contains many applications designed to help students develop an orderly, systemic way of thinking through economic problems that can be applied to other social science, business, and professional studies. In addition, each chapter contains readings that will reinforce the application of concepts and theories.

The sample lesson that is attached provides problem set that serves as an introduction to national income accounting. The Aplia assignment contains a number of different types of problems including numerical and graphical. The Research Project would introduce students to data

collection and interpretation. The Internet assignment would have students examine the differential impact of inflation on different groups in the economy. Finally, there are discussion questions which will be graded on the basis of evidence of some critical thinking about topic and precision in stating arguments. These questions could also provide the basis for threaded discussions.

### Course Objectives as listed on the syllabus

This course will provide the student with the foundation for better understanding how a market economy operates. It will also furnish the student with the tools for analyzing current macroeconomic issues. First, basic economic concepts and the economic way of thinking will be examined. How markets operate and the role of government will be studied. Throughout the session the international economy will also be examined. Issues discussed will include why nations trade, arguments for/against tariffs/quotas, the U.S. balance of payments problem, and the foreign exchange market. In addition, the recent changes in foreign economies will be discussed and students will examine international examples in each chapter.

Next, the business cycle and the procedures used to measure production, unemployment, and inflation will be described. In addition, a model will be developed to explain how overall spending in the private sector determines national income, employment, and the level of prices. The model will be expanded to examine the potential impact of government purchases and taxes on overall spending (called fiscal policy).

Then, the role of money in the U.S. economy, the banking system, and how money is created will be explored. How monetary policy can influence the business cycle will be discussed. Finally, the problems that have plagued the economy will be studied and examine current macroeconomic problems will be examined.

All of the assignments produced by the student will be submitted through WebCT (or its equivalent). The assignments will be graded in a timely manner and the grades will then be released to each student. The Discussion tool and email will be used to communicate to the student any concerns the professor might have with the assignment. Likewise, the student can communicate concerns to the professor.

### Specific Activities

1. Foundations of Economics
  - A. The Nature of Economics
  - B. Making and Using Graphs
  - C. Scarcity and Choice
  - D. The Production Possibilities Model
  - E. Specialization and Comparative Advantage**Activities:** readings, problem-based exercises, tests
  
2. The Market System
  - A. Characteristics of a Market System
  - B. Forces of Demand and Supply
  - C. Applications**Activities:** readings, problem-based exercises, news exercise, tests

3. Introduction to Macroeconomics
  - A. Introduction to the Aggregate Demand/Aggregate Supply Model
  - B. Productivity and Growth
  - C. National Income Accounting
  - D. Economic Fluctuations, Unemployment, and the Price Level

**Activities:** readings, problem-based exercises, news exercise, tests
4. Macroeconomic Theory
  - A. Aggregate Expenditure Components
  - B. Aggregate Demand/Aggregate Supply

**Activities:** readings, problem-based exercises, tests
5. Fiscal Policy/Federal Budgets
 

**Activities:** readings, problem-based exercises, news exercise, tests
6. Money, Banking, and Monetary Policy
  - A. Money
  - B. Financial Institutions
  - C. How Banks Create Money
  - D. Monetary Policy

**Activities:** readings, problem-based exercises, news exercise, tests
7. Macroeconomic Policy Debates
 

**Activities:** readings, problem-based exercises, tests

*Please note: The detailed topics list includes more topics than can be covered in a semester. This list will allow flexibility and any instructor who teaches the course will be able to choose from the topic list and follow the course outline listed above.*

3. How will instructor-student and student-student, if applicable, interaction take place?

The course is intended to promote interaction between the student and instructor and among students, if possible. The course will use a variety of methods to foster this interaction.

Instructor-student interaction will be able to take place through the use of at least three different methods:

- A. email
- B. threaded discussion
- C. live, online office hours held throughout the week

In addition, if there are specific problems/issues that cannot be addressed/resolved using the above methods, telephone calls can be exchanged between the instructor and student(s).

Student-student interaction will be able to take place through the use of the following four methods:

- A. email
- B. threaded discussion
- C. chat rooms
- D. telephone calls if necessary

One example of the interaction will be through the use of articles posted on Aplia (or WebCT). Students will be asked to write their reactions and then respond to other students' comments.

Another example is the use of problem sets. Students will be asked to complete practice and required problems and would be expected to interact with the instructor if they have any difficulties. Since economics is a way of thinking, development of critical thinking skills is essential. The writing examples given above will be used to evaluate how well they understand the information.

4. How will student achievement be evaluated?

Student achievement will be evaluated using three methods:

- A. practice and required problem sets graded by Aplia (These problem sets are coordinated to each chapter of reading in the textbook. In addition, there are readings for many of the chapters, with a set of objective questions.)
- B. objective exams graded by the instructor
- C. threaded discussions graded by the instructor

Assignments will be itemized on the Aplia website. Dates for their final completion will be listed (see copy of front page of my Aplia web site, which lists what is due, an area for announcements, the textbook chapters, and an area for additional materials). Assignments will be assessed promptly and grades will be returned to students immediately. Criteria for evaluation will be detailed on the syllabus. For example, for essays students will be evaluated on their ability to critically analyze the problem, the degree to which the essay reflects an understanding of the material, and their ability to communicate effectively.

5. How will academic honesty for tests and assignments be addressed?

After reviewing various approaches to dealing with academic honesty, a number of strategies will be used. All tests will be timed for completion and have a closing date and ending time clearly noted on the website. The tests will be generated from a large test bank which will allow for randomized tests. Due dates for assignments will be used to keep students on track with the course work. As suggested in other distance education courses, the use of an "honor code" statement will be included to let students know they are responsible for proper conduct and integrity in all academic work. Students will also be made aware of what will happen if a violation occurs.

- B. Submit to the department or its curriculum committee the responses to items A1-A5, the current official syllabus of record, along with the instructor developed online version of the syllabus, and the sample lesson. This lesson should clearly demonstrate how the distance education instructional format adequately assists students to meet a course objective(s) using online or distance technology. It should relate to one concrete topic area indicated on the syllabus.

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**Step Two: Departmental/Dean Approval**

Recommendation:  Positive (The objectives of this course can be met via distance education)  
 Negative

*David B. Yarger*  
Signature of Department Designee

4-10-07  
Date

Endorsed: *A. Ann*  
Signature of College Dean

4/10/07  
Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

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**Step Three: University-wide Undergraduate Curriculum Committee Approval**

Recommendation:  Positive (The objectives of this course can be met via distance education)  
 Negative

*Gail Sedquist*  
Signature of Committee Co-Chair

4/17/07  
Date

Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

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**Step Four: Provost Approval**

Approved as distance education course

Rejected as distance education course

\_\_\_\_\_  
Signature of Provost

\_\_\_\_\_  
Date

Forward form and supporting materials to Associate Provost.

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**Step Two: Departmental/Dean Approval**

Recommendation:  Positive (The objectives of this course can be met via distance education)

Negative

*David B. Yinger* 4-10-07  
Signature of Department Designee Date

Endorsed: *A. Ann* 4/10/07  
Signature of College Dean Date

Forward form and supporting materials to Liberal Studies Office for consideration by the University-wide Undergraduate Curriculum Committee. Dual-level courses also require review by the University-wide Graduate Committee for graduate-level section.

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**Step Three: University-wide Undergraduate Curriculum Committee Approval**

Recommendation:  Positive (The objectives of this course can be met via distance education)

Negative

*Gail S. Schuist* 4/17/07  
Signature of Committee Co-Chair Date

Forward form and supporting materials to the Provost within 30 calendar days after received by committee.

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**Step Four: Provost Approval**

Approved as distance education course

Rejected as distance education course

*Ch. Thomas* \_\_\_\_\_  
Signature of Provost Date

Forward form and supporting materials to Associate Provost.



Welcome,  
Nicholas Karatjas!

03.15.07 st

**Karatjas, Microeconomics, Spring 2007**

[Home](#)

[Assignments](#)

[Course Materials](#)

**Announcements**

**02.11.07** Because it seems that Aplia was down for a short time today I have moved the assignment due tonight at 11 p.m. to tomorrow at 11 a.m.

[ALL ANNOUNCEMENTS >](#)

**Current Assignments**

[What's this?](#)

**Due Next Week: 03.19.07 (WEEK 11)**

- |   |  |
|---|--|
| <p><b>Tue, 03.20.07</b><br/>11:00 PM<br/>Practice</p> | <p><b><u>Production and Cost in the Firm I</u></b><br/><i>Chapter 7</i><br/>This problem set covers the theory behind production and cost curves. You will learn how to calculate and graph total, average, variable, fixed, and marginal cost. You will also learn the geometry behind various cost curves and how they differ based on a firm's technology and scale of production.</p>  |
| <p><b>Sat, 03.24.07</b><br/>11:00 PM<br/>Graded</p>   | <p><b><u>Production and Cost in the Firm II</u></b><br/><i>Chapter 7</i><br/>This problem set covers the theory behind production and cost curves. You will learn how to calculate and graph total, average, variable, fixed, and marginal cost. You will also learn the geometry behind various cost curves and how they differ based on a firm's technology and scale of production.</p> |
| <p><b>Sun, 03.25.07</b><br/>11:00 PM</p>              | <p><b><u>Perfect Competition - Online Chapter</u></b><br/><i>Chapter 8</i><br/>Contains the complete online text for Chapter 8 of McEachern's Microeconomics: A Contemporary Introduction.</p>   |

[VIEW ALL ASSIGNMENTS >](#)

**Course Materials**

[What's this?](#)

[VIEW ALL COURSE MATERIALS >](#)

**Course Readings**



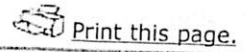
**Microeconomics: A Contemporary Introduction**  
7th Edition  
By McEachern

[HIDE COURSE READINGS](#)

**Table of Contents**

- Part 1** Introduction to Economics
  - Chapter 1** The Art and Science of Economic Analysis
  - Chapter 2** Some Tools of Economic Analysis
  - Chapter 3** Economic Decision Makers
  - Chapter 4** Demand and Supply Analysis
- Part 2** Introduction to the Market System
  - Chapter 5** Elasticity of Demand and Supply
  - Chapter 6** Consumer Choice and Demand
  - Appendix** Indifference Curves and Utility Maximization
  - Chapter 7** Production and Cost in the Firm
- Part 3** Market Structure and Pricing
  - Chapter 8** Perfect Competition
  - Chapter 9** Monopoly
  - Chapter 10** Monopolistic Competition and Oligopoly
- Part 4** Resource Markets
  - Chapter 11** Resource Markets
  - Chapter 12** Labor Markets and Labor Unions





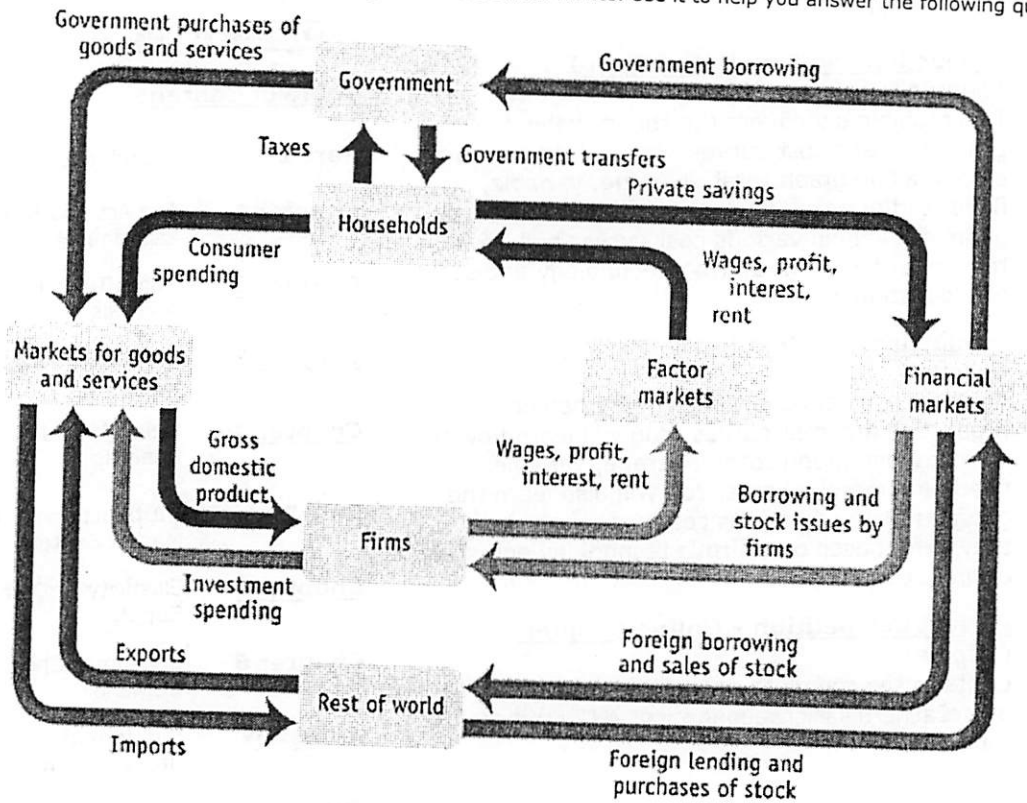
**Chapter 7 - Problem Set II**

This problem set serves as a basic introduction to national income and product accounts. You will learn about gross domestic product (GDP), the components of GDP, calculating real GDP, calculating a market basket and a price index, and calculating GDP per capita.

**Professor Description:** This problem set serves as a basic introduction to national income and product accounts. Students will learn about gross domestic product (GDP), the components of GDP, calculating real GDP, calculating a market basket and a price index, and calculating GDP per capita.

**Scenario**

Suppose that the graphic below is a circular flow diagram for the United States. Use it to help you answer the following questions.



**Question 1.1**

1.1. Households buy goods and services with their disposable income, the amount of income available to spend on consumption or to save. Which of the following are possible sources of households' disposable income?

- I. Wages
- II. Transfers from government
- III. Taxes
- IV. Dividends to stock shareholders

- A. I, II, and IV
- B. I and III
- C. III and IV
- D. I only

**Question 1.2**

- 1.2. Households normally don't spend all of their disposable income on goods and services. Part of their income is typically set aside as private savings, which usually \_\_\_\_\_.
- A. Goes to financial markets
  - B. Goes to the government
  - C. Goes directly back to households
  - D. Goes to firms

**Question 1.3**

- 1.3. Which of the following is NOT an example of how the rest of the world participates in the U.S. economy?
- A. Exporting goods and services to the United States
  - B. Importing U.S.-made goods
  - C. Foreigners' loans to the U.S. federal government
  - D. Individuals in the United States purchasing stocks of companies abroad
  - E. U.S. firms paying wages to nonnative workers working in the United States

**Question 2**

2. One way of calculating the U.S. gross domestic product (GDP) in 2005 is to calculate the total spending on domestically produced final goods and services in the U.S. economy. Which of the following transactions should be included when measuring the U.S. gross domestic product (GDP) in 2005?
- A. In 2005, a Ford automobile manufacturing plant in Michigan bought tires from a Bridgestone tire manufacturing plant in Tennessee for use in the production of its cars.
  - B. Chloe, an economics student, purchased a used macroeconomics textbook from the university bookstore in 2005. The textbook was originally published and purchased in 2003.
  - C. In 2005, Zach, a huge baseball fan, went to only one baseball game, paying \$25 for the ticket.
  - D. You won the lottery in early 2005, and you decided to donate half of your winnings to charity.

**Question 3**

3. One way of calculating the U.S. gross domestic product (GDP) is to sum up consumer spending (C), investment spending (I), government purchases of goods and services (G), and net exports (X - IM) during a particular year. Which of the following transactions does NOT increase the U.S. gross domestic product (GDP) for a particular year?
- A. A French winery sells and ships a bottle of champagne to a customer in San Francisco, California.
  - B. The U.S. government pays \$5 million to a U.S.-based defense contractor for a national protection program against nuclear weapons.
  - C. Microsoft, a software manufacturer, adds unsold copies of its operating system to its inventories.
  - D. Consumers spend approximately 50% of their income on domestically-produced food-related items.

**Scenario**

The economy of Puka manufactures three goods: necklaces, ashtrays, and wind chimes. The table below summarizes price and output data for the years 2003 and 2004. There are only five people in the economy.

	2003	2004
Quantity of Necklaces	100	110
Price per Necklace	\$5	\$6

Quantity of Ashtrays	50	55
Price per Ashtray	\$9	\$12
Quantity of Wind Chimes	25	50
Price per Wind Chime	\$40	\$45

**Question 4.1**

4.1. What was Puka's nominal GDP in 2004?

- A. \$3,570
- B. \$1,950
- C. \$3,900
- D. \$2,750

**Question 4.2**

4.2. What was Puka's real GDP in 2004, using 2003 as the base year?

- A. \$3,045
- B. \$3,570
- C. \$1,950
- D. \$2,325

**Question 4.3**

4.3. Based on the real GDP of 2004, using 2003 as the base year, the value of sales increased by \_\_\_\_\_. Round to two decimal places. (Hint: you can refer to your answers to the previous questions.)

- A. 56.15%
- B. 1.56%
- C. 64.04%
- D. 45%

**Question 4.4**

4.4. What was the real GDP per capita of 2004, using 2003 as the base year?

- A. \$3,045
- B. \$609
- C. \$714
- D. \$882

**Question 4.5**

4.5. Suppose that a typical consumer in Puka buys five necklaces, one ashtray, and two wind chimes per year. What was the cost of this market basket in 2003?

- A. \$114
- B. \$56

- C. \$80
- D. \$132

**Question 4.6**

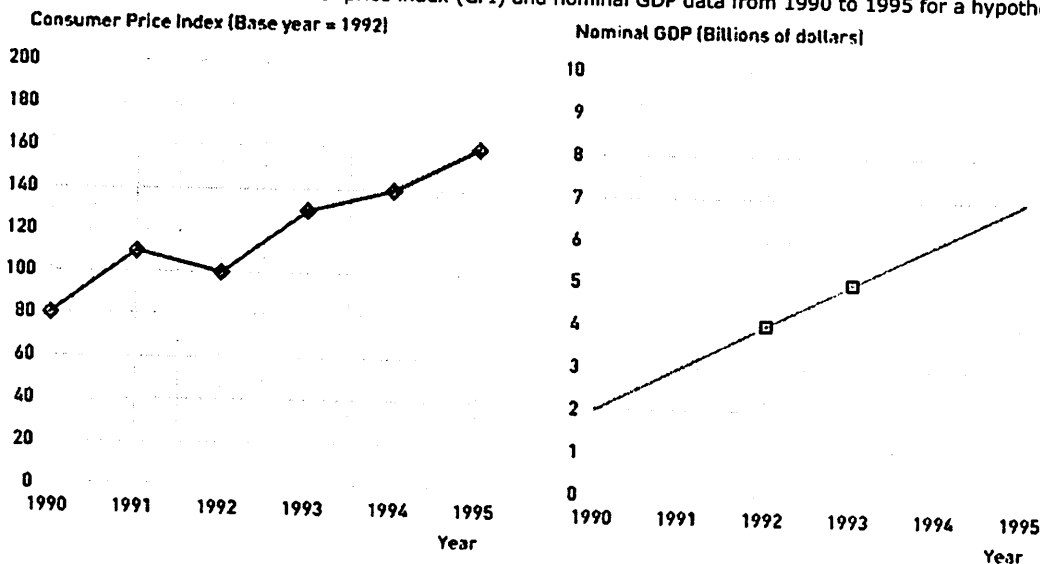
- 4.6. Again, suppose that a typical consumer in Puka buys five necklaces, one ashtray, and two wind chimes per year. What was the cost of this market basket in 2004?
- A. \$114
  - B. \$56
  - C. \$80
  - D. \$132

**Question 4.7**

- 4.7. Again, suppose that a typical consumer in Puka buys five necklaces, one ashtray, and two wind chimes per year. Using 2003 as the base year, approximately what was the inflation rate from 2003 to 2004? Round to the nearest whole number. (Hint: you can refer to your answers to the previous questions.)
- A. 24%
  - B. 16%
  - C. 86%
  - D. There was no inflation in Puka.

**Question 5**

5. The graphs below show consumer price index (CPI) and nominal GDP data from 1990 to 1995 for a hypothetical economy.



Which of the following is true?

- A. Between 1994 and 1995, the inflation rate was approximately 14%.
- B. Real GDP in 1993 (with 1992 as the base year) was greater than nominal GDP in 1993.
- C. The CPI data on the graph shows there is no inflation in the economy.
- D. Between 1991 and 1992, the cost of the market basket for a typical consumer in the economy rose.

**Question 6**

6. Real GDP per capita \_\_\_\_\_.

- I. Equals real GDP divided by the size of the population
- II. Is the only measure of an economy's standard of living
- III. Is essentially the same as the consumer price index
- IV. Does not address how an economy uses output to affect welfare

- A. I and IV
- B. I and III
- C. II and III
- D. II and IV

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Due Date: 02.21.07, 11:00 PM 14/Graded Visible to Students

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**INDIANA UNIVERSITY OF PENNSYLVANIA**  
**Department of Economics**

**COURSE:** Distance Education: ECON 121 Principles of Macroeconomics

**CATALOG COURSE DESCRIPTION:**

ECON 121 Principles of Macroeconomics 3c-0l-3cr

Nature and methodology of economics; mixed capitalism and market economy; national income; employment theory, including economics of fiscal policy; money, banking, and Federal Reserve System; international trade and finance.

**COURSE OBJECTIVES:**

1. To explain how aggregate income, employment and output are determined in the macroeconomy.
2. To appreciate the social consequences of macroeconomic instability, including the differential impact of inflation and unemployment on minorities.
3. To understand how macroeconomic stabilization policies are used to bring about full employment and price stability including the differential effects of alternative policy solutions on minorities.
4. To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.
5. To lay the foundation for understanding the role of the economist in government, industry, and education.
6. To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

**TOPICS:**

This course will provide you with the foundation for better understanding how a market economy operates. It will also furnish you with the tools for analyzing current macroeconomic issues. First, we will examine basic economic concepts and the economic way of thinking. We will study how markets operate and the role of government. Throughout the session we will also examine the international economy. Issues discussed will include why nations trade, arguments for/against tariffs/quotas, the U.S. balance of payments problem, and the foreign exchange market. In addition, we will discuss the recent changes in foreign economies and you will examine international examples in each chapter.

Next, the business cycle and the procedures used to measure production, unemployment, and inflation will be described. In addition, a model will be developed to explain how overall spending in the private sector determines national income, employment, and the level of prices. The model will be expanded to examine the potential impact of government purchases and taxes on overall spending (called fiscal policy).

Then, we will explore the role of money in the U.S. economy, our banking system, and how money is created. We will discuss how monetary policy can influence the business cycle. Finally, we will study the problems that have plagued the economy and examine current macroeconomic problems.

**INSTRUCTOR:** Dr. Nicholas Karatjas  
McElhane Hall – Room 213F  
(724) 357-4855  
E-mail: karatjas@iup.edu

**TEXT:** Economics Today The Macro View (14th edition) by Roger LeRoy Miller (Pearson Addison-Wesley, 2007)

Other readings may be assigned.

**COURSE REQUIREMENTS:**

There will be three major exams: two during the semester and a non-comprehensive final. You are responsible for all assigned chapters. Examinations will be of the objective (multiple choice and

true/false) type.

The overall course letter grade will be determined by the total number of points you have earned. The exams will be worth 60% of your grade. Weekly homework submitted online will count for 20% of your grade. If you answer 80% of the problems correctly, you will receive full credit for this portion of the course. The lowest homework score will be dropped. In addition, there will be a number of online threaded discussions based upon readings. These will be worth 20% of your grade. The composite score will be ranked and final grades will be determined from that ranking. You are responsible for being aware of everything written on this course syllabus.

There may be additional written homework assignments. Assignments must be handed in when due or no credit will be received. Points for these assignments will be added directly to your total points. They will not be returned.

**EXAMINATION DATES:**  
(tentative)

First Exam:  
Second Exam:  
Final Exam:

### COURSE OUTLINE

- I. Foundations of Economics
    - A. The Nature of Economics
    - B. Scarcity and Choice
    - C. The Production Possibilities Model
    - D. Specialization and Comparative Advantage  
*Chapters 1 (including Appendix A) and 2*
- IMPORTANT:** Please carefully review the appendix on understanding graphs.
- II. The Market System
    - A. Characteristics of a Market System
    - B. Forces of Demand and Supply
    - C. Applications
    - D. Public Sector  
*Chapters 3, 4, 5, and 6 (selected sections)*
  - III. Introduction to Macroeconomics
    - A. Introduction to the Aggregate Demand/Aggregate Supply Model
    - B. Productivity and Growth
    - C. National Income Accounting
    - D. Economic Fluctuations, Unemployment, and the Price Level  
*Chapters 7, 8, and 9*
  - IV. Macroeconomic Theory
    - A. Aggregate Expenditure Components
    - B. Aggregate Demand/Aggregate Supply  
*Chapters 10, 11 and 12 (selected sections)*
  - V. Fiscal Policy  
*Chapters 13 and 14*
  - VI. Money, Banking, and Monetary Policy
    - Money
    - Financial Institutions
    - How Banks Create Money  
*Chapters 15 and 16*

VII. Macroeconomic Policy Debates  
*Chapters 17 and 18*

VIII. Global Economics  
*Chapter 19*



## DETAILED LIST OF TOPICS

### MACROECONOMICS

#### The Nature of Economics

- Discuss the difference between macroeconomics and microeconomics.
- Evaluate the role that rational self-interest plays in economic analysis.
- Explain the economic way of thinking.
- Explain what a model is and why models are best kept simple.
- Distinguish between positive and normative economics.
- *Application:* Altruistic behavior.

#### Using Graphs

- Why economists use graphs.
- Interpret graphs.
- Explain the difference between a direct and inverse relationship and how it is reflected graphically.

#### Scarcity and the World of Trade-Offs

- Understand why economics considers individuals' "wants," but not their "needs."
- Explain why the scarcity problem induces people to consider opportunity costs.
- Model a country's production possibilities.
- Define the different types of efficiency.
- Discuss why obtaining increasing increments of any particular good typically entails giving up more and more units of other goods.
- Explain why society faces a trade-off between consumption goods and capital goods.
- Describe specialization and distinguish between absolute and comparative advantage.
- Explain how individuals and countries can benefit from trade.
- *Application:* The North American Free Trade Agreement (NAFTA).

#### Demand and Supply

- Explain the law of demand.
- Discuss the difference between money prices and relative prices.
- Distinguish between changes in demand and changes in quantity demanded.
- Explain the law of supply.
- Distinguish between changes in supply and changes in quantity supplied.
- Understand how the interaction of the "demand for" and "supply of" a commodity determines the market price of the commodity and the equilibrium quantity of the commodity that is produced and consumed.
- *Application:* The market for gasoline.

#### Extensions of Demand and Supply Analysis

- Evaluate the effects of changes in demand and supply on the market price and equilibrium quantity.
- Understand the rationing function of prices.
- Explain the effects of price ceilings.
- Explain the effects of price floors.
- *Application:* The minimum wage and its impact on labor markets.

### The Public Sector and Public Choice

- Explain how market failures, such as externalities, might justify economic functions of government.
- Distinguish between private goods and public goods and explain the nature of the free-rider problem.
- Describe the political functions of government that entail its involvement in the economy.
- Distinguish between average tax rates and marginal tax rates.
- Explain the structure of the U.S. income tax system.
- *Application:* The tragedy of the commons.

### Taxes, Transfers, and Public Spending

- Understand the key factors influencing the relationship between tax rates and the tax revenues that governments collect.
- Explain the different principles of tax equity.
- Differentiate between progressive, proportional, and regressive taxes based on the marginal tax rate.
- Explain how the taxes governments levy on purchases of goods and services affect market prices and equilibrium quantities.
- *Application:* Understand how the Social Security system works and explain the nature of the problems it poses for today's students.

### The Macroeconomy: Unemployment, Inflation, and Deflation

- Explain how the U.S. government calculates the official unemployment rate.
- Discuss the types of unemployment.
- Describe how price indexes are calculated and define the key types of price indexes.
- Distinguish between nominal and real interest rates.
- Evaluate who loses and who gains from inflation.
- Understand key features of business fluctuations.

### Measuring the Economy's Performance

- Describe the circular flow of income and output.
- Define gross domestic product (GDP).
- Understand the limitations of using GDP as a measure of national welfare.
- Explain the expenditure approach to computing GDP.
- Explain the income approach to computing GDP.
- Distinguish between nominal GDP and real GDP.

### Global Economic Growth and Development

- Define economic growth.
- Recognize the importance of economic growth rates.
- Describe the fundamental determinants of economic growth.
- Explain why productivity increases are crucial for maintaining economic growth.
- Discuss the fundamental factors that contribute to a nation's economic development.

### Real GDP and the Price Level in the Long Run

- Understand the concept of long-run aggregate supply.
- Describe the effect of economic growth on the long-run aggregate supply curve.
- Explain why the aggregate demand curve slopes downward and list key factors that cause this curve to shift.
- Discuss the meaning of long-run equilibrium for the economy as a whole.

### Classical and Keynesian Macro Analysis

- Discuss the central assumptions of the classical model.
- Describe the short-run determination of equilibrium real GDP and the price level in the classical model.
- Explain circumstances under which the short-run aggregate supply curve may be horizontal or upward sloping.
- Understand the factors that cause shifts in the short-run and long-run aggregate supply curves.
- Evaluate the effects of aggregate demand and supply shocks on equilibrium real GDP in the short-run.
- Determine the causes of short-run variations in the inflation rate.

### Consumption, Real GDP, and the Multiplier

- Distinguish between saving and savings and explain how saving and consumption are related.
- Explain the key determinants of consumption and saving in the Keynesian model.
- Identify the primary determinants of planned investment.
- Describe how equilibrium national income is established in the Keynesian model.
- Evaluate why autonomous changes in total planned expenditures have a multiplier effect on equilibrium national income.
- Understand the relationship between total planned expenditures and the aggregate demand curve.

### Fiscal Policy

- Use traditional Keynesian analysis to evaluate the effects of discretionary fiscal policies.
- Discuss ways in which indirect crowding out and direct expenditure offsets can reduce the effectiveness of fiscal policy actions.
- List and define fiscal policy time lags and explain why they complicate efforts to engage in fiscal “fine tuning.”
- Describe how certain aspects of fiscal policy function as automatic stabilizers for the economy.

### Deficit Spending and the Public Debt

- Explain how federal government deficits occur.
- Define the public debt and understand alternative measures of the public debt.
- Demonstrate an awareness of the general historical trend of the deficit and the public debt.
- Evaluate circumstances under which the public debt could be a burden to future generations.

- Analyze the macroeconomic effects of government budget deficits.
- Describe possible ways to reduce the government budget deficit.

### Money, Banking, and Central Banking

- Define the fundamental functions of money.
- Identify key properties that any good that functions as money must possess.
- Explain the official definitions of the quantity of money in circulation.
- Understand why financial intermediaries such as banks exist.
- Describe the basic structure of the Federal Reserve System.
- Discuss the major functions of the Federal Reserve.

### Money Creation and Deposit Insurance

- Explain what is meant by a fractional reserve banking system.
- Determine the maximum potential extent to which the money supply will change following a Federal Reserve purchase or sale of government securities.
- Discuss the ways in which the Federal Reserve conducts monetary policy.
- Explain the essential features of federal deposit insurance.

### Domestic and International Dimensions of Monetary Policy

- Identify the key factors that influence the quantity of money that people desire to hold.
- Describe how the Federal Reserve's tools of monetary policy influence market interest rates.
- Evaluate how expansionary and contractionary monetary policy actions affect equilibrium real GDP and the price level in the short run.
- Understand the equation of exchange and its importance in the crude quantity theory of money and prices.
- Distinguish between the Keynesian and monetarist views on the transmission of monetary policy.

### Stabilization

- Explain why the actual unemployment rate might depart from the natural unemployment rate.
- Describe why economic theory implies that there may be an inverse relationship between the inflation rate and the unemployment rate, reflected by the Phillips curve.
- Evaluate how expectations affect the relationship between the inflation rate and the unemployment rate.
- Identify the central features of the real business cycle challenge to active policymaking.
- Distinguish among alternative modern approaches to strengthening the case for active policymaking.

### Comparative Advantage and the Open Economy

- Discuss the worldwide importance of international trade.
- Explain why nations can gain from specializing in production and engaging in international trade.
- Distinguish between comparative advantage and absolute advantage.
- Understand common arguments against free trade.

- Describe the ways that nations restrict foreign trade.
- Identify key international agreements and organizations that adjudicate trade disputes among nations.

#### Exchange Rates and the Balance of Payments

- Distinguish between the balance of trade and the balance of payments.
- Identify the key accounts within the balance of payments.
- Outline how exchange rates are determined in markets for foreign exchange.
- Discuss factors that can induce changes in equilibrium exchange rates.
- Understand how policymakers can go about attempting to fix exchange rates.
- Explain alternative approaches to limiting exchange rate variability.
- *Application:* Analyze how changes in exchange rates can affect tourism.

## Research Project

### Macroeconomics

The purpose of this research project is to help develop skills in analyzing macroeconomic issues and events. The focus is on gathering, organizing, and presenting data.

#### Expected Learning Outcomes

By the end of this project, you should be able to:

- Locate major sources of economic data, both in print and on the Internet.
- Gather specific types of information from economic archives.
- Summarize and present economic data in a coherent fashion.

#### Project

The performance of a nation's economy can be summarized by the following macroeconomic variables:

- Gross Domestic Product (GDP).
- Unemployment.
- Inflation.
- Rate of growth of GDP.

As a country works its way through a business cycle, the four variables can change in startling and unexpected ways. For this project, collect these data for one of the following economic crises: *[NOTE: Different combinations of countries will be used to minimize possible cheating.]*

- Brazil inflation in the late 1980s and early 1990s.
- Mexican capital flight in the mid 1990s.
- Asian Tiger meltdown in the late 1990s.

Once you have gathered the data, look for trends and relationships. In your paper, try to address the following questions, and feel free to deal with other issues as well.

1. How do the variables change throughout the crisis?
2. Which variables move together?
3. Which variables move in opposing directions?
4. Which variables seem unrelated?
5. Do unemployment and growth move in accordance with Okun's Law?
6. Does there seem to be a trade-off between unemployment and inflation?

7. Do any variables seem to "follow" other variables (i.e., behave in the same way, but with a time lag)?

Present your data and conclusions in a clear and organized manner. You may use text, spreadsheets, graphs, and any other aid to show patterns and relationships. You may consider other variables as well, but you must cover GDP, unemployment, inflation, and growth in order to complete the assignment.

### **Useful Resources**

At the Reference Section of the Library (many of the indices are also available online):

- *International Financial Statistics Yearbook*, published by the International Monetary Fund
- *Yearbook of Labour Statistics*, published by the International Labour Office
- *The Economic Report of the President*
- *Business Periodicals Index*
- *Social Sciences and Humanities Index*
- *The New York Times Index*
- *The Wall Street Journal Index*
- *Readers' Guide to Periodical Literature*

or

On the Internet:

- The Bureau of Labor Statistics: <http://stats.bls.gov>
- The National Bureau of Economic Research (especially the Penn World Tables): <http://www.nber.org/data>
- The Economic Report of the President: <http://www.gpoaccess.gov/eop/download.html>

## Two Examples of Internet Assignments

### Microeconomics

1. Visit the Web site that offers the on-line edition of the latest Economic Report of the President: <http://www.gpoaccess.gov/eop/download.html>. Using the data tables, look up annual federal government spending on national defense for the years 1990 to the present and compare it to spending on non-defense during those years. Carefully note the size of the year-to-year changes in each category of spending. Then write a short essay of approximately one page that discusses how the concept of opportunity cost relates to government choices between defense and non-defense spending.

### Macroeconomics

*The following example could be used for a variety of topics.*

2. Visit an Internet search engine such as Yahoo (located at

<http://www.yahoo.com>)

or Google (located at

<http://www.google.com>)

and perform a search for the following term: "hyperinflation". Find some articles and/or examples of some countries that have gone through hyperinflation. Look for some "stories" of the effects that hyperinflation had on those economies and everyday life in those societies.



CATALOG DESCRIPTION

EC 121 Principles of Economics I

Liberal Studies Course Proposal

Nature and methodology of economics; mixed capitalism and market economy; national income; employment theory, including economics of fiscal policy; money, banking, and Federal Reserve System; international trade and finance.

## CHECKLIST -- SOCIAL SCIENCES

### Catalog Description:

#### - EC 121 Principles of Economics I

Nature and methodology of economics; mixed capitalism and market economy; national income; employment theory, including economics of fiscal policy; money, banking, and Federal Reserve System; international trade and finance.

### Objectives:

1. To explain how aggregate income, employment and output are determined in the macroeconomy.
2. To appreciate the social consequences of macroeconomic instability, including the differential impact of inflation and unemployment on minorities.
3. To understand how macroeconomic stabilization policies are used to bring about full employment and price stability including the differential effects of alternative policy solutions on minorities.
4. To examine the functioning of the U.S. economy in order to gain insight into the economic, political, and social problems facing a post-industrial society. This is done through the development and use of analytical models.
5. To lay the foundation for understanding the role of the economist in government, industry, and education.
6. To provide a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

### Topics:

- I. An explanation of the nature of modern economic systems, including American capitalism, and the basic economic concepts and the basic tools of economic analysis, with emphasis on the use of graphical analysis. Topics include the problem of scarcity, resources, technology, production possibilities, and economic growth. Also includes discussion of important measures of macroeconomic activity: GNP and related income and product measures, price indexes (CPI, PPI, and GNP Deflator), and unemployment statistics.
- II. An examination of competing macroeconomic theories that explain fluctuations in national output, income, and employment. It focuses on the basic Classical and Keynesian models and their evolution within the context of modern macroeconomic problems.

III. An assessment of the policy implications of the above models in an increasingly interdependent world. The focus is on (i) fiscal policies, including automatic stabilizers, government deficit financing, and the national debt; (ii) monetary policies, including the regulation of banking and other financial institutions, money creation, and the linkage between deficit spending and financial markets; and (iii) international trade and finance, balance of payments problems and international adjustment mechanisms.

Course Outline: Principles of Economics I EC121

1. Introduction to Economics.
2. The Economizing Problem.
3. Overview of American Capitalism and its Limitations.
4. Introduction to Supply and Demand.
5. GNP Accounting.
6. Inflation and Unemployment.
7. National Income, Output and Employment.
8. Fiscal Policy.
9. Money and Monetary Policy.
10. International Trade and Finance.

Evaluation Methods:

Instructors typically give three or four major exams (objective and/or essay). Some instructors also include quizzes and graded assignments in final grade determination. The final grade is a weighted average of the grade components.