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Curriculum Proposal Cover Sheet - University-Wide Undergraduate Curriculum Committee

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Proposing Department/Unit Economics	Phone 7.4770

Check all appropriate lines and complete all information. Use a separate cover sheet for each course proposal and/or program proposal.

1. Course Proposals (check all that apply)

- New Course Course Prefix Change Course Deletion
 Course Revision Course Number and/or Title Change Catalog Description Change

Current course prefix, number and full title: ECON 121: Principles of Macroeconomics

Proposed course prefix, number and full title, if changing:

2. Liberal Studies Course Designations, as appropriate

- This course is also proposed as a Liberal Studies Course (please mark the appropriate categories below)
 Learning Skills Knowledge Area Global and Multicultural Awareness Writing Intensive (include W cover she
 Liberal Studies Elective (please mark the designation(s) that applies – must meet at least one)

 Global Citizenship Information Literacy Oral Communication
 Quantitative Reasoning Scientific Literacy Technological Literacy

3. Other Designations, as appropriate

- Honors College Course Other: (e.g. Women's Studies, Pan African)

4. Program Proposals

- Catalog Description Change Program Revision Program Title Change New Track
 New Degree Program New Minor Program Liberal Studies Requirement Changes Other

Current program name:

Proposed program name, if changing:

5. Approvals	Signature	Date
Department Curriculum Committee Chair(s)	<i>Stephanie M. Aszofowicz</i>	3/6/2012
Department Chairperson(s)	<i>[Signature]</i>	3/6/2012
College Curriculum Committee Chair	<i>Shelley Chapple</i>	3/7/12
College Dean	<i>[Signature]</i>	3/28/12
Director of Liberal Studies (as needed)	<i>Dr. H. Pittore</i>	3/30/12
Director of Honors College (as needed)		
Provost (as needed)		
Additional signature (with title) as appropriate		
UWUCC Co-Chairs	<i>Gail Schuist</i>	4/10/12

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Liberal Studies

SYLLABUS OF RECORD

I. Catalog Description

ECON 121: Principles of Macroeconomics	3 class hours
	0 lab hours
Prerequisites: None	3 credits
	(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.

II. Course Outcomes and Assessment (Expected Undergraduate Student Learning Outcomes – EUSLO). *On examinations and assignments, students will be required (depending on the expected outcome) to demonstrate knowledge of the topic, critical thinking skills, or appreciation of the subject matter.*

Objective 1:

Students will be able to explain how aggregate income, employment and output are determined in the macroeconomy.

Expected Student Learning Outcomes 1 and 2:

Informed and Empowered Learners

Rationale: Lectures, readings, and associated assignments will inform students about the calculation and determination of gross domestic product (GDP), which is the key measure of a nation's income and output and the main determinant of employment. Students will be required to demonstrate an understanding of the differences between the short-run and long-run determinants of GDP as well as to critically evaluate the use of GDP as a measure of a nation's standard of living.

Objective 2:

Students will be able to analyze the social consequences of macroeconomic instability, including the differential impact of inflation and unemployment on minorities.

Expected Student Learning Outcomes 1, 2, and 3:

Informed, Empowered, and Responsible Learners

Rationale: Lectures, readings, and associated assignments will inform students about the direct and indirect costs of recessions and periods of inflation. Students will be required to critically assess the degree to which certain economic events would create macroeconomic instability and will also be required to demonstrate an understanding of how high unemployment and/or high inflation affect different demographic groups in different ways.

Objective 3:

Students will be able to explain of how macroeconomic stabilization policies are used to bring about full employment and price stability, including the differential effects of alternative policy solutions on minorities.

Expected Student Learning Outcomes 1, 2, and 3:

Informed, Empowered, and Responsible Learners

Rationale: Lectures, readings, and associated assignments will inform students about the primary stabilization tools available to policy makers (i.e., fiscal and monetary policy). Homework and exam questions will require students to demonstrate this knowledge and to critically assess the pros, cons, and potential overall effectiveness of various policy proposals. Students will also be required to demonstrate an understanding of how these policies affect different demographic groups in different ways.

Objective 4:

Students will be able to apply theoretical models to the U.S. economy in order to analyze the economic, political, and social problems facing a post-industrial society.

Expected Student Learning Outcomes 1 and 2:

Informed and Empowered Learners

Rationale: Lectures, readings, and associated assignments will develop widely used theoretical models that will allow the student to understand both short-run economic fluctuations and the determinants of long-run economic growth. Through the use of these models, students will gain insight into the problems posed on a nation when various adverse shocks affect the economy. Assignments will require students to use the models to critically evaluate the potential problems posed by both hypothetical and real-world events.

Objective 5:

Students will be able to explain the role of the economist in government, industry, and education.

Expected Student Learning Outcomes 1 and 3:

Informed and Responsible Learners

Rationale: Lectures, readings, and associated assignments will inform the students of the various roles of the economist in the public sector, private industry, and higher education. Particular attention will be paid to the difference between positive and normative statements in economics. Assignments will have students identify when statements are purely scientific/factual and when they are more opinion based and will ask students to demonstrate an understanding of how political beliefs or funding sources can influence statements and opinions in economics.

Objective 6:

Students will be able to utilize a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.

Expected Student Learning Outcomes 1 and 2:

Informed and Empowered Learners

Rationale: Lectures, readings, and associated assignments will require the successful student to demonstrate abilities such as: the use of marginal analysis, the use of theoretical models to understand the transmission of exogenous shocks, and quantitative skills required to calculate and understand economic statistics, among others. These tools are applicable to a wide array of studies and will empower the students to better understand the world in which they live.

NCATE Matrix:

Danielson Domains	INTASC Principles	NCSS Themes/Program Objectives	Course Objectives	Assessments
<p>1. Domain 1. Planning and Preparation – Knowledge of subject.</p>	<p>Principle 1: The teacher understands the central concepts, tools of inquiry, and structures of the discipline(s) he or she teaches and can create learning experiences that make these aspects of subject matter meaningful for students.</p>	<p>NCSS 7: Production, Distribution and Consumption</p> <p>NCSS 9: Global Connections</p>	<p>Students will be able to:</p> <p>explain how aggregate income, employment and output are determined in the macroeconomy.</p> <p>analyze the social consequences of macroeconomic instability, including the differential impact of inflation and unemployment on minorities.</p> <p>explain how macroeconomic stabilization policies are used to bring about full employment and price stability, including the differential effects of alternative policy solutions on minorities.</p> <p>apply theoretical models to the U.S. economy in order to analyze the economic, political, and social problems facing a post-industrial society.</p> <p>explain the role of the economist in government, industry, and education.</p> <p>utilize a conceptual framework and a set of analytical tools and methods that can be applied to other social science, business, and professional studies.</p>	<p>Chapter Quizzes</p> <p>Exams 1 – 3</p> <p>Final Exam</p>

III. Course Outline

- A. Foundations of Economics (4 hours [4])
 - 1. The Nature of Economics
 - 2. Scarcity and Choice
 - 3. The Production Possibilities Model
 - 4. Specialization and Comparative Advantage

- B. The Market System (5 hours [9])
 - 1. Forces of Demand and Supply
 - 2. Applications

Exam 1 (1 hour [10])

- C. Introduction to Macroeconomics (5 hours [15])
 - 1. Introduction to Aggregate Economic Statistics
 - 2. Gross Domestic Product
 - 3. Consumer Price Index and Inflation
 - 4. Measuring Unemployment

- D. Productivity, Growth, and the Financial System (5 hours [20])
 - 1. The determinants of economic labor productivity
 - 2. Modeling Economic Growth
 - 3. Why growth rates differ across countries
 - 4. Savings, Investment, and the Loanable Funds Market

Exam 2 (1 hour [21])

- E. Economic Fluctuations (5 hours [26])
 - 1. Aggregate Demand and Aggregate Supply Model
 - 2. Short-Run vs. Long-Run Equilibrium
 - 3. Adverse Supply Shocks and Stagflation
 - 4. Aggregate Demand Shocks

- F. Fiscal Policy (5 hours [31])
 - 1. The Federal Government Budget Balance
 - 2. Automatic Stabilizers
 - 3. Discretionary Fiscal Policy
 - 4. Spending and Tax Multipliers
 - 5. Lags of Fiscal Policy
 - 6. Arguments for and Against

Exam 3 (1 hour [32])

- G. The Federal Reserve and Monetary Policy (5 hours [37])
1. History and Structure of The Federal Reserve
 2. The Money Supply Process and the Money Multiplier
 3. Using Monetary Policy to Stabilize the Economy
 4. Lags of Monetary Policy
 5. Arguments for and Against

- H. International Economics (5 hours [42])
1. The Current Account
 2. Introduction to Foreign Exchange Markets
 2. Exchange Rate Fluctuations and Imports/Exports

Final Exam /Exam #4 (During Finals Week) (2 hours)

IV. Evaluation Methods

Homework: 20% of overall grade. Objective homework assignments will be administered for each chapter covered in the text. The homework assignments will involve a mixture of questions relating to knowledge of core concepts, quantitative analysis, the application of theoretical models developed in class, and the critical evaluation of outside articles.

Content Exams: 60% of overall grade. There will be three content exams (each worth 20% of the overall grade) throughout the semester. The content exams will not be comprehensive, meaning that each of the content exams will only cover the information discussed in the prior section(s). Each content exam will contain 40-50 objective questions.

Final Exam: 20% of overall grade. The final exam will be scheduled for finals week and will be comprised of approximately 50 questions.

V. Grading Scale

Grading: Grades will be assigned using the standard scale. Your total number of points will be averaged and letter grades assigned as follows:

- A = 90 to 100%
- B = 80 to 89%
- C = 70 to 79%
- D = 60 to 69%
- F = Below 60%

VI. Attendance Policy

To be consistent with the Undergraduate Course Attendance Policy as outlined in the Undergraduate Catalogue.

VII. Required Course Material

(Text) Krugman and Wells. *Macroeconomics* (2nd ed.). Worth Publishers. 2009.

Supplemental articles will be assigned throughout the semester and distributed in class or made available on-line.

VIII. Special Resource Requirements

None

IX. Bibliography

Textbooks

Arnold, Roger A. *Principles of Macroeconomics*. 10th ed. Cengage South-Western, 2011. Print.

Baumol, William J., and Alan S. Blinder. *Macroeconomics: Principles and Policy*. 12th ed. Cengage Learning, 2012. Print.

Colander, David. *Macroeconomics*. 8th ed. McGraw Hill Education, 2009. Print.

Frank, Robert H., and Ben Bernanke. *Principles of Macroeconomics*. McGraw-Hill Higher Education, 2008. Print.

Hubbard, R., and Anthony O'Brien. *Macroeconomics: International Edition*. 4th ed. Pearson Higher Education, 2012. Print.

Krugman, Paul R., and Robin Wells. *Macroeconomics*. 2nd ed. Worth, 2009. Print.

Mankiw, N. Gregory. *Principles of Macroeconomics*. 6th ed. Cengage Learning, 2012. Print.

McConnell, Campbell, Stanley Brue, and Sean Flynn. *Macroeconomics, Global Edition*. 19th ed. McGraw Hill Education, 2011. Print.

McEachern, William A. *Macroeconomics Principles*. 9th ed. Cengage South-Western, 2011. Print.

Melvin, Michael, and William Boyes. *Principles of Macroeconomics*. 8th ed. Cengage South Western, 2011. Print.

Miller, Roger LeRoy. *Economics Today: The Macro View (Pearson Series in Economics)*. 16th ed. Prentice Hall, 2011. Print.

Schiller, Bradley R. *The Macroeconomy Today*. 12th ed. McGraw-Hill Higher Education, 2009. Print.

Salvin, Stephen. *Macroeconomics*. 10th ed. McGraw Hill Education, 2011. Print.

Taylor, John, and Akila Weerapana. *Macroeconomics*. 7th ed. Cengage South-Western, 2012. Print.

General Readings

Breit, William, and Barry T. Hirsch. *Lives of the Laureates: Twenty-three Nobel Economists*. Cambridge, MA: MIT, 2009. Print.

Buchholz, Todd G., and Martin Feldstein. *New Ideas from Dead Economists: An Introduction to Modern Economic Thought*. New York: Plume, 2007. Print.

Caplan, Bryan Douglas. *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. Princeton, NJ: Princeton UP, 2008. Print.

Coyle, Diane. *The Soulful Science: What Economists Really Do and Why It Matters*. Princeton, NJ: Princeton UP, 2007. Print.

Dixit, Avinash K., and Barry J. Nalebuff. *Thinking Strategically: The Competitive Edge in Business, Politics and Everyday Life*. New York [u.a.: Norton, 1991. Print.

Ehrenreich, Barbara. *Nickel and Dimed: On (not) Getting by in America*. New York: Holt Paperbacks, 2008. Print.

Frank, Robert H. *The Economic Naturalist: In Search of Explanations for Everyday Enigmas*. New York: Basic, 2007. Print.

Friedman, Milton, and Rose D. Friedman. *Free to Choose: A Personal Statement*. San Diego: Harcourt Brace Jovanovich, 1990. Print.

- Friedman, Milton. *Capitalism and Freedom*. Chicago: University of Chicago, 2002. Print.
- Harford, Tim. *The Logic of Life: The Rational Economics of an Irrational World*. New York: Random House, 2008. Print.
- Harford, Tim. *The Undercover Economist: Exposing Why the Rich Are Rich, the Poor Are Poor--and Why You Can Never Buy a Decent Used Car!* New York: Oxford UP, 2006. Print.
- Heilbroner, Robert L. *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers*. New York: Simon and Schuster, 1953. Print.
- Krugman, Paul. *Peddling Prosperity*. W. W. Norton &, 1995. Print.
- Krugman, Paul R. *The Return of Depression Economics*. New York: W.W. Norton, 2009. Print.
- Landsburg, Steven E. *The Armchair Economist: Economics and Everyday Life*. New York: Free, 1995. Print.
- Levitt, Steven D., and Stephen J. Dubner. *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. New York: William Morrow, 2006. Print.
- Malkiel, Burton Gordon. *A Random Walk down Wall Street: The Time-tested Strategy for Successful Investing*. New York: W.W. Norton, 2012. Print.
- McMillan, John. *Reinventing the Bazaar: A Natural History of Markets*. New York: Norton, 2002. Print.
- O'Rourke, P. J. *Eat the Rich*. New York: Atlantic Monthly, 1998. Print.
- Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. New York: Modern Library, 1937. Print.

Part II.

2. Summary of the proposed revisions.

1. Objectives – the course objectives were revised from the original syllabus of record to be more student-centered and were aligned with the Expected Undergraduate Student Learning Outcomes (EUSLO) and Common Learning Objectives found in the criteria for a Social Science course.
2. Common Learning Objectives for a Social Science course are met in the content portion of the course (not necessarily a specific revision but it should be noted that the objectives for the new curriculum have been met). These objectives are:

Social Science Required Course Content

- allows students to apply empirical methodology and a theoretical framework to the study of the origins, development, and maintenance of individual human behavior and social groups, institutions, or organizations.
- promotes an understanding of individuals, groups, and their physical and social environment by exploring and analyzing concepts developed in the discipline(s).
- includes, where appropriate, discussion of other cultures and subcultures, underrepresented groups (including persons with special needs), minorities, and women.
- conveys the major concepts, models, and critical intellectual questions/debates within the social sciences.

Social Science Common Learning Objectives

- At the conclusion of the course, the student should be able to demonstrate knowledge and understanding of:
 - the ways of modeling individual and social behavior and its interrelationships with other disciplines.
 - the past and present from historical, philosophical, social, and spatial perspectives.
 - the ethical and behavioral consequences of decisions on individuals, societies, and the physical world as appropriate.
 - him- or herself and a respect for the identities, politics, and cultures of others.
 - skills in problem solving, critical thinking, synthesis, and a commitment to intellectual honesty.
3. Updated textbook reading to a more current book.
 4. Updated and added to bibliography.

Part II.

3. Justification/Rationale for the revision.

The course currently is approved as a Liberal Studies Social Science course and is being revised to meet the new curriculum criteria for this category.

Part II.

4. Old Syllabus of Record

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.

Assignment Instructions & Grading Criteria for One of the Major Course Assignments

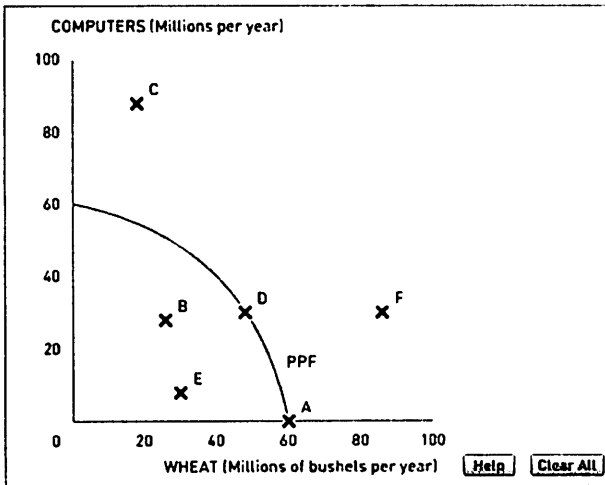
This is a sample homework assignment administered through a program called Aplia.

Question 1: Efficiency in the production possibilities model

1. Efficiency in the production possibilities model

Aa Aa

Suppose the United States produces wheat and computers. The following graph shows the United States' current production possibilities frontier (PPF), along with six output combinations (black X symbols) labeled A to F.



Which of the points on the graph represent output combinations that are feasible but not efficient?

Which of the points on the graph represent output combinations that are efficient? _____

Which of the points on the graph represent output combinations that are not feasible? _____

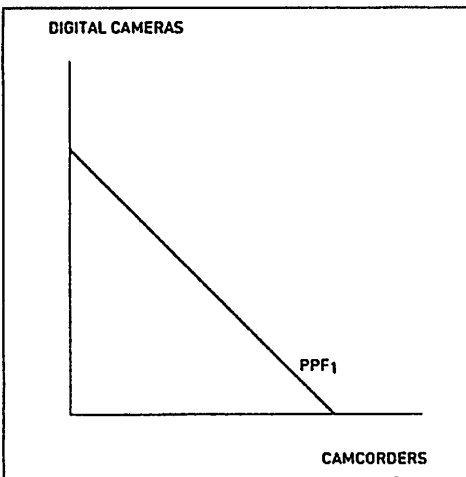
2. Specialization and production possibilities

Aa Aa 

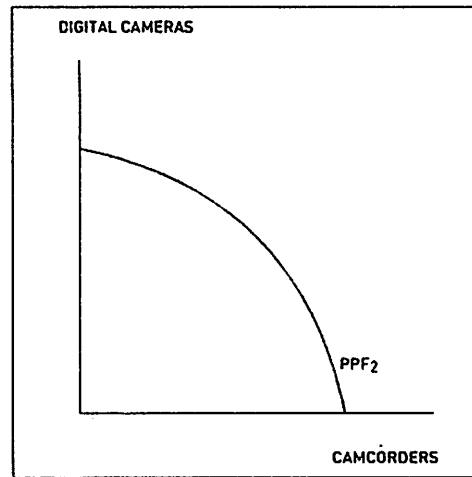
Suppose Scotland produces only camcorders and digital cameras. The resources that are used in the production of these two goods are not specialized—that is, the same set of resources is equally useful in producing each good.

The graphs below show two possible production possibilities frontiers (PPFs) for Scotland's economy: a straight-line PPF (PPF₁) and a bowed-out PPF (PPF₂).

Graph 1



Graph 2



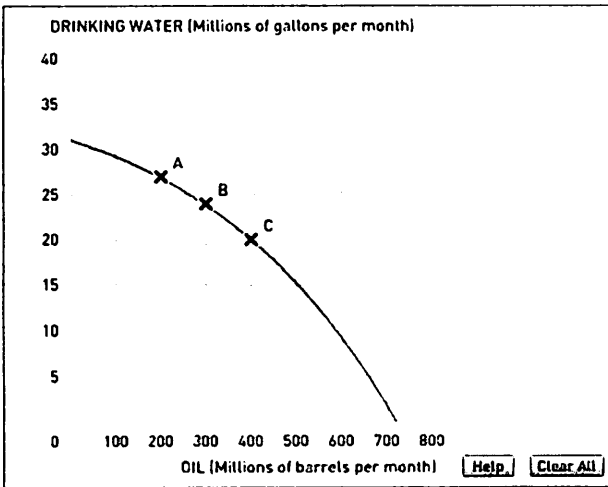
Based on the above description, the tradeoff Scotland faces between producing digital cameras and camcorders is best represented by _____ .

The shape of the PPF reflects the fact that as Scotland produces more camcorders and fewer digital cameras, the opportunity cost of producing each additional camcorder _____ .

3. The opportunity cost of shifting production choices

Aa Aa

The following graph shows the production possibilities frontier (PPF) of an economy that produces drinking water and oil. The black points (X symbols) represent three possible output levels in a given month. You can place your mouse over the points to see their exact coordinates.



Suppose the economy initially produces 27 million gallons of drinking water and 200 million barrels of oil, which is represented by point A. The opportunity cost of producing an additional 100 million barrels of oil (that is, moving production to point B) is _____ gallons of drinking water.

Suppose, instead, that the economy currently produces 300 million barrels of oil and 24 million gallons of drinking water, which is represented by point B. Now the opportunity cost of producing an additional 100 million barrels of oil (that is, moving to point C) is _____ gallons of drinking water.

Comparing your answers to the two previous questions, you can see that the opportunity cost of 100 million additional barrels of oil at point B is _____ the opportunity cost of 100 million additional barrels of oil at point A. This reflects the _____.

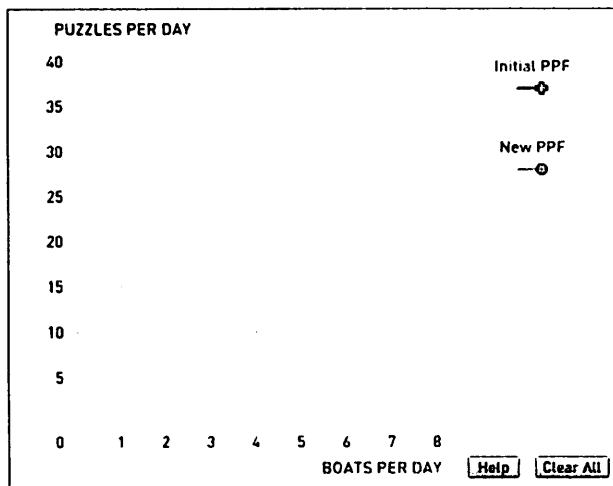
4. Opportunity cost and production possibilities

Aa Aa

Stelios is a skilled toymaker who is able to produce both boats and puzzles. He has eight hours a day to produce toys. The table below shows the daily output resulting from various possible combinations of his time.

Choice	Hours per Day		Boats	Puzzles
	Producing Boats	Producing Puzzles	Produced per Day	Produced per Day
A	8	0	4	0
B	6	2	3	11
C	4	4	2	19
D	2	6	1	24
E	0	8	0	25

On the graph below, use the red points (cross symbol) to plot Stelios's initial production possibilities frontier (PPF). Plot your points in order, either from left to right or right to left. Line segments will connect the points automatically.



Suppose Stellos is currently using combination D, producing 1 boat per day. What is his opportunity cost of producing a second boat per day? _____ .

Now, suppose Stellos is currently using combination C, producing 2 boats per day. What is his opportunity cost of producing a third boat per day? _____ .

As Stellos increases his production of boats, his opportunity cost of producing one more boat _____ .

Suppose Stellos buys a new tool that allows him to produce twice as many boats per hour as before, but doesn't affect his ability to produce puzzles. Use the blue points (circle symbol) to plot his new PPF on the graph above. Because he can now make more boats per hour, Stellos's opportunity cost of producing puzzles is _____ it was previously.

QWERTY | HOME | LAST | ANSWER | BACK | HELP | GRAPH | CLEAR | INFO | ABOUT | HELP | INFO | HELP

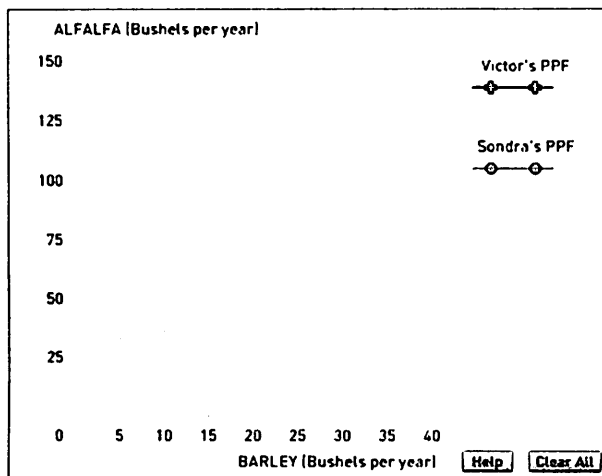
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5. Comparative advantage

Victor and Sondra are farmers. Each one owns a 5-acre plot of land. The table below shows the amount of alfalfa and barley each farmer can produce per year on a given acre. Both farmers can choose whether to devote all 5 acres to producing alfalfa, devote all 5 acres to producing barley, or produce alfalfa on some of their land and barley on the rest.

	Alfalfa (Bushels per acre)	Barley (Bushels per acre)
Victor	4	2
Sondra	12	3

On the graph below, use the red line (plus symbols) to plot Victor's production possibilities frontier (PPF), and use the blue line (circle symbols) to plot Sondra's PPF.



_____ has an absolute advantage in the production of alfalfa, and _____ has an absolute advantage in the production of barley.

Victor's opportunity cost of producing one bushel of barley is _____, whereas Sondra's opportunity cost of producing one bushel of barley is _____. Because Victor has a _____ opportunity cost of producing barley than Sondra, _____ has a comparative advantage in the production of barley, and _____ has a comparative advantage in the production of alfalfa.

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6. Gains from trade

Aa Aa

Consider two neighboring island countries called Felicidad and Contente. They each have 4 million labor hours available per month that they can use to produce corn, jeans, or a combination of both. The table below shows the amount of corn or jeans that can be produced using one hour of labor.

	Corn (Bushels per hour of labor)	Jeans (Pairs per hour of labor)
Felicidad	4	16
Contente	6	12

Initially, suppose Contente uses 1 million hours of labor per month to produce corn and 3 million hours per month to produce jeans, while Felicidad uses 3 million hours of labor per month to produce corn and 1 million hours per month to produce jeans. Consequently, Felicidad produces 16 million pairs of jeans and 12 million bushels of corn, and Contente produces 36 million pairs of jeans and 6 million bushels of corn. Assume there are no other countries willing to trade goods, so in the absence of trade between these two countries, each country consumes the amount of corn and jeans it produces.

Felicidad's opportunity cost of producing one bushel of corn is _____ of jeans, and Contente's opportunity cost of producing one bushel of corn is _____ of jeans. Therefore, _____ has a comparative advantage in the production of corn and _____ has a comparative advantage in the production of jeans.

Suppose that each country completely specializes in the production of the good in which it has a comparative advantage, producing only that good. In this case, the country that produces corn will produce _____ bushels per month, and the country that produces jeans will produce _____ pairs per month. In the table below, enter each country's production decision on the second row of the table (marked "Production").

Suppose the country that produces corn trades 14 million bushels of corn to the other country in exchange for 42 million pairs of jeans. In the table below, select the amount of each good that each country exports and imports in the boxes across the row marked "Trade Action," and enter each country's final consumption of each good on the line marked "Consumption."

When the two countries did not specialize, the total production of corn was 18 million bushels per month and the total production of jeans was 52 million pairs per month. Because of specialization, the total production of corn has increased by _____ bushels per month, and the total production of jeans has increased by _____ pairs per month. Because the two countries produce more corn and more jeans under specialization, each country is able to gain from trade. Calculate the gains from trade—that is, the amount by which each country has increased its consumption of each good relative to the first row of the table. In the table below, enter this difference in the boxes across the last row (marked "Increase in consumption").

	Felicidad		Contente	
	Corn (Millions of bushels)	Jeans (Millions of pairs)	Corn (Millions of bushels)	Jeans (Millions of pairs)
Autarky				
Prod. and consumption	12	16	6	36
With Trade				
Production				
Trade Action	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Consumption				
Gains from Trade				
Increase in consumption				

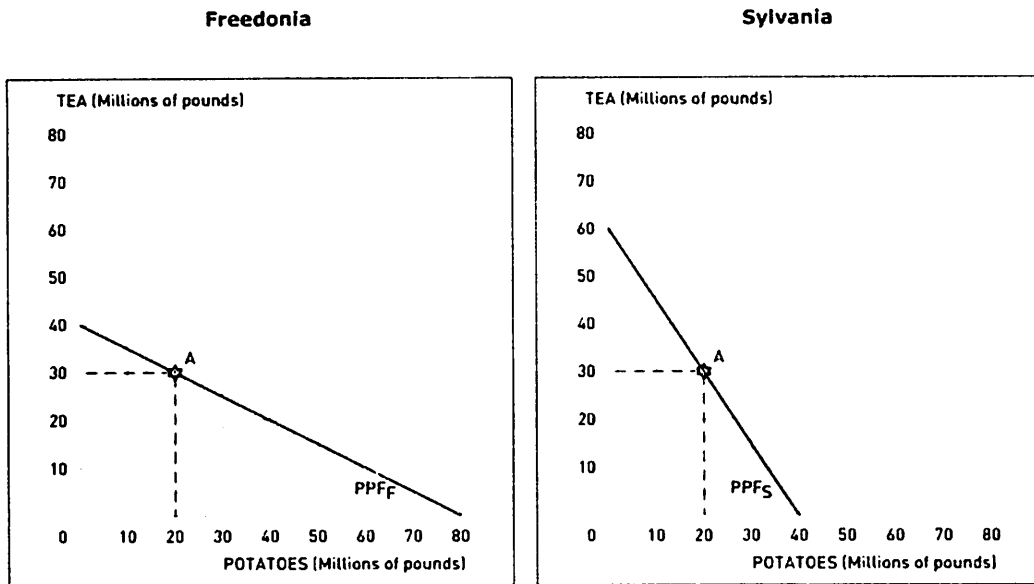
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7. Specialization and trade

Economists believe that when two countries specialize and trade, each will be able to buy goods in which the other specializes at a lower cost than it would take to produce these goods itself.

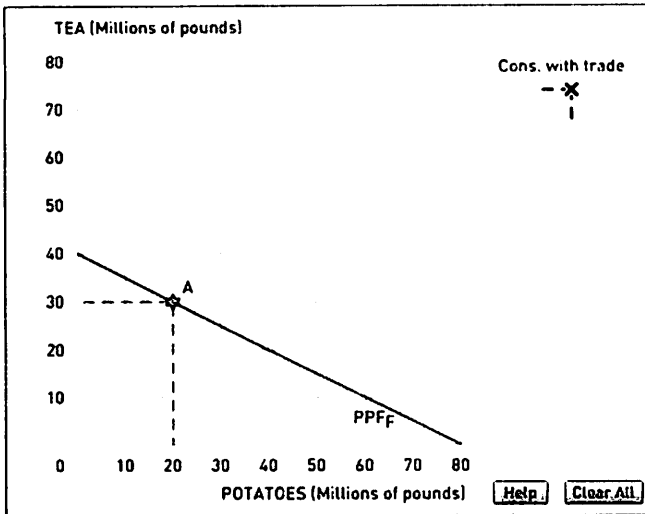
The graphs below show the production possibilities frontiers (PPFs) for Freedonia and Sylvania. Both countries produce tea and potatoes, and each initially produces 30 million pounds of tea and 20 million pounds of potatoes before specialization and trade, as indicated by the grey stars marked "A."



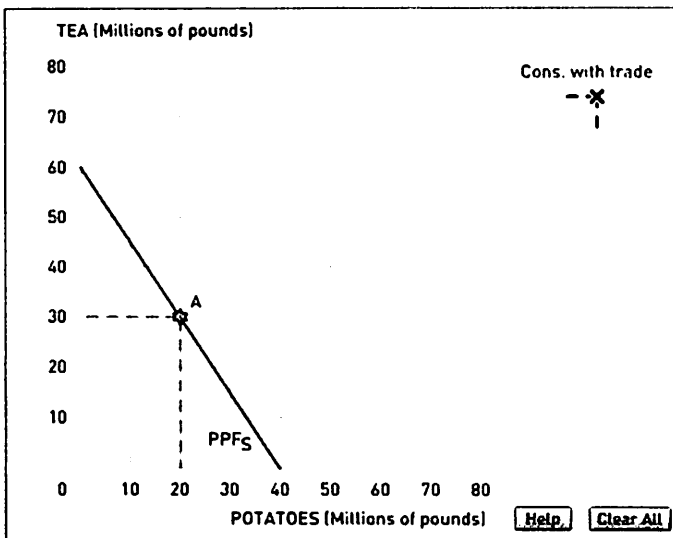
Freedonia has a comparative advantage in the production of _____, while Sylvania has a comparative advantage in the production of _____. Suppose that Freedonia and Sylvania specialize in the production of the goods for which each has a comparative advantage. Together, the two countries can produce _____ pounds of tea and _____ pounds of potatoes.

Suppose that Freedonia and Sylvania agree to trade. Each country focuses its resources on producing only the good for which it has a comparative advantage. The countries decide to exchange 30 million pounds of potatoes for 30 million pounds of tea.

The graph below shows the production possibilities frontier for Freedonia. Place a black point (X symbol) on the graph to indicate Freedonia's consumption after trade.



The graph below shows the production possibilities frontier for Sylvania. As you did for Freedonia above, place a black point (X symbol) on the diagram to indicate Sylvania's consumption after trade.



Sylvania and Freedonia _____ have been able to consume at the after-trade consumption bundles you found above if they did not engage in international trade.

Grading Scale: Each part of each question above is worth one point. Your total points earned in the assignment will be divided by the total points available to obtain a percentage that will be used in the calculation of your final grade.

A = 90-100%

B = 80-89%

C = 70-79%

D = 60-69%

F = less than 60%

Liberal Studies Course Approval General Information

1. Economics 121(ECON 121) is a multiple-section, multiple-instructor course, required of all economics majors as well as students in various other programs. The course is also offered to all students as a liberal studies social science option. The Economics Department will assure basic equivalency in objectives, content, assignments, and evaluation by holding regular discussions on these matters at department meetings. Furthermore, the Department of Economics has found that this assurance of equivalency has been aided greatly by the program-level assessment of student learning conducted in principles courses.

2. All sections of ECON 121 will include perspectives and experiences of women as well as racial and ethnic minorities. Specific examples include the differences in unemployment rates among demographic groups, the effects of unexpected inflation (e.g., decreasing real income for those on fixed incomes and shifting wealth between borrowers and lenders), and the differential impacts of expansionary and contractionary fiscal policy upon different groups.

3. Students in ECON 121 will be assigned several outside readings, usually consisting of collections of articles from the business press pertaining to current issues in macroeconomics. Specific examples include op-ed pieces from the New York Times and The Wall Street Journal on the efficacy of using expansionary fiscal policy to fine tune the economy (see item F.6 in the course outline) as well as outside articles on the debate over the current stance of monetary policy (item G.5 in the course outline).

4. This course is required of all majors in the department, but is designed and taught to offer a general overview of macroeconomics to students. No prior knowledge of macroeconomics is assumed and the primary aim of the course is to allow the student to be better able to read about and understand current macroeconomic events, even if this is the only economics course the student takes.