**Course:** Economics 201 Sections 2, 8, and 10  
Principles of Macroeconomics  
Fall 2004

**Professor:** Dr. Phillip A. Miller

**Lecture Meeting Times:**
Section 2: MW 9:30 – 10:45  
Section 8: MW 3:00 – 4:15  
Section 10: MW 4:30 – 5:45  
All classes are in AH 222

**Office:** Morris Hall 129

**Office Hours:** M and W 11:00 – 12:00 and 1:30 – 2:30  
T and Th 9:00 – 11:30 and by appointment

**Office Phone:** 389-5248

**Email:** phillip.miller@mnsu.edu

**Home Page:** [http://krypton.mnsu.edu/~millep1/classes.html](http://krypton.mnsu.edu/~millep1/classes.html)  
some materials for this class may be posted at this site.

**Course Description:**
Economics is broadly distributed into two categories: microeconomics and macroeconomics. “Micro” means “very small”. Modern microeconomics deals with understanding how people and firms make decisions at the individual and the market levels and/or the consequences of those decisions. It also deals with the effect of government policy on the decisions of individuals and firms and the effects of such policies on markets. For instance, we could use microeconomics to help us understand the effects of increasing the minimum wage in Minnesota on the employment of low-skilled workers in the state.

“Macro” means “large scale”. Macroeconomics deals with the understanding of the aggregation of individual and firm decisions, the aggregation of market activities, business cycles, and economic growth. We can also examine a government’s role in the overall economy. For instance, we could use Macroeconomics to help us understand the dynamics of unemployment in Blue Earth County or personal income levels in the United States.

This course covers the elementary principles of macroeconomics. We begin by examining the nature of the work and thought of the professional economist and then by examining the microeconomic concepts of comparative and price and output determination of competitive markets. These concepts provide a solid foundation for the macroeconomic topics that are the focus for the rest of the book.
Next we examine the nature of national output, inflation, and unemployment and why it is important for a macroeconomy to keep these three things under control. We then examine the nature of economic growth and the demand and supply-sides of the economy in more detail.

Next, we examine fiscal and monetary policies used to control the national economy and the debates that have shaped polices over the past century. If time permits, we will examine the effect of fiscal and monetary policies on economic growth.

Lastly, we examine international trade and international trade policies if time permits.

**Course Objectives:**
The following list is a non-exhaustible list of broad student-learning objectives for this class:

1. Students will be able to apply the principle of comparative advantage to show how voluntary trade makes both parties better off.
2. Students will be able to explain how price and output are determined and how various factors cause price and quantity movements in competitive markets.
3. Students will be able to explain how government intervention in the competitive marketplace can make the market work less-efficiently.
4. Students will be able to explain why a macroeconomy needs to keep inflation and unemployment under control.
5. Students will be able to explain how price and output are determined and how various factors cause price and output movements in macroeconomies.
6. Students will be able to explain what the basic determinants of economic growth are and they will be able to explain why economic growth is important.
7. Students will be able to explain how monetary authorities control the macroeconomy through interest rate changes.
8. Students will be able to explain how voluntary trade between nations makes both nations better off and how restrictions of trade can cause a nation to be worse off although some parties in the nation gain. (time permitting)

**Texts (required):**


There may be other readings assigned from various sources.
Web Sources:

General Sources
Dr. T’s Econ Links (resources that are specifically geared to the economics student)
http://econlinks.com
The Dismal Scientist (a web site that has news, data, commentary, and other items of interest to students and professionals in the fields of economics and finance)
http://www.economy.com/dismal

Economics Blogs
Marginal Revolution - http://www.marginalrevolution.com
Heavy Lifting by jaded economist Craig Depken - http://heavylifting.blogspot.com/

Undergraduate Studies in economics at Minnesota State University, Mankato
http://www.mnsu.edu/economics/

Grading:

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<tr>
<th>Criteria</th>
<th>Points</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Exam 1</td>
<td>90</td>
<td>TBA</td>
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<tr>
<td>Exam 2</td>
<td>90</td>
<td>TBA</td>
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<tr>
<td>Final Exam</td>
<td>90</td>
<td>TBA</td>
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<td>(not cumulative)</td>
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<tr>
<td>Quizzes</td>
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<td><strong>Total</strong></td>
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<tr>
<th>Letter Grade</th>
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<td>A</td>
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<td>B</td>
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<td>C</td>
<td>210</td>
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<td>D</td>
<td>180</td>
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Note: All examinations will be given in AH222.

Policies and suggestions for Econ 201:

Exams:
All exams will consist of 30 multiple-choice questions and each question will be worth 3 points. The final exam is not cumulative.

I will give students at least one week’s notice before each examination. I expect each student to be present for each examination. No student will be excused from taking an exam for any reason. I will only consider giving a make-up exam under extraordinary verifiable emergency situations.

All make-up exams will consist of essay questions. No student will be allowed to take more than one make-up exam.

_Quizzes:_
I will give 6 quizzes will consist of 6 multiple-choice questions and each question will be worth 1 point. I will drop your lowest quiz score from your grade. I will not give make-up quizzes. If you miss a quiz, that will be the quiz that you drop.

_Extra Credit:_
There will be no extra credit assignments given. I will not give any student an extra credit assignment to help recover from an undesirable grade. _Don’t even ask._

_Incomplete grades:_
University policy regarding incomplete grades will be strictly implemented in this course.

_Miscellaneous:_
Economics is a subject in which new topics build upon topics that have been covered prior in the course. If a student does not fully understand a particular topic, it will be difficult for the student to understand subsequent topics. Consequently, it is very important that students keep current with the readings and the lectures as we go along.

_Students with special needs:_
If you have special needs as addressed by the Americans with Disabilities Act, please notify me immediately. Every attempt will be made to accommodate qualified students with disabilities. If you are a student with a documented disability, please see me as early in the semester as possible to discuss the necessary accommodations and/or contact the Disability Services Office at 507-389-2825 (V) or 1-800-627-3529 (MRS/TTY). The Disability Services website is located at [http://www.mankato.msus.edu/dso/](http://www.mankato.msus.edu/dso/)

_Note on academic (dis)honesty:_
Plagiarism is a serious offense and will not be tolerated. Copying or closely paraphrasing others’ work, including the work of your fellow students, is considered plagiarism and will result in a failing grade for the class.

Course Philosophy:
Macroeconomics and microeconomics are strongly intertwined and much modern research in macroeconomics contains the concepts of microeconomics as its base. This approach incorporates the fact that when we observe some macroeconomic phenomena (like a change in the unemployment rate), there are millions of complex individual decisions that are driving that phenomena. The astute student will notice how this approach permeates my approach to macroeconomics. However, microeconomics is not a prerequisite for this course. Indeed, the first few weeks of this course will allow you to “get your feet wet” in some of the basic microeconomic models that form the basis of microeconomic thought and that we will use to understand basic macroeconomic models. However, although macroeconomics and microeconomics are strongly intertwined, macroeconomics is a stand-alone field and, given our level of knowledge, not all macroeconomic phenomena is fully understood with microeconomic-based models.

You may have heard economics referred to as “The Dismal Science”. This is not because many students find economics uninteresting and/or troublesome (although, unfortunately, some do). Instead it comes from the work of the renowned economist Thomas Malthus. Malthus (according to some economic historians) reasoned that one of the positives of economics, economic growth, would lead to overpopulation which would lead to food shortages and starvation (Malthus, unfortunately, was wrong). Thus, economic growth could be detrimental to society.

To many economists, economics is the study of how people allocate scarce resources to produce and consume goods and services. To me, economics is broader: it is a social science that studies how people make decisions, what incentives shape those decisions, and the their consequences. This is true whether we look at the effects of these decisions at the individual, market, national, or global level. Your decision to go to Super America for a Coke and a Twix bar is an economic decision. Your decision to come to Minnesota State rather than go to St. Cloud State or Wisconsin-Whitewater is an economic decision. The decision to work after receiving your undergraduate degree or go to graduate school, to marry or remain single, to study or to go out with your friends, to clear-cut rain forests, to discriminate against someone on the basis of religion, to have children, to choose a particular career path, and to donate your organs are, at least in part, economic decisions. Such decisions are in every aspect of our lives.

Economics could well be the most important class you take while in college even if you do not choose a major in economics. It will help you understand how you make decisions and how to improve your
decision-making skills. More importantly, it can also help you understand the decision-making process of others with whom you interact.

Economics could also be one of the toughest classes that you will take. I hope you find its content interesting, challenging, and enlightening.
# Econ 201
Principles of Macroeconomics
Reading Assignments
Fall 2004

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<td>2) Comparative Advantage: The Basis for Exchange</td>
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<td>3) Supply and Demand: An Introduction</td>
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<td><strong>B) Core Macroeconomics</strong></td>
<td>1) The Realm of Macroeconomics</td>
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<td></td>
<td>2) The Focuses of Macroeconomic Policy - Economic Growth, Inflation, and Unemployment</td>
<td>Chapters 5, 6, and 8</td>
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<td>3) Economic Growth, Productivity, and Living Standards</td>
<td>Chapters 7 and 9</td>
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<td>4) Aggregate Demand and the Powerful Consumer in the Short Run</td>
<td>Chapters 12 and 13</td>
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<td>5) Demand-side Equilibrium in the Short Run: Unemployment or Inflation?</td>
<td>Chapters 12 and 13</td>
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<td></td>
<td>1) Supply-side Equilibrium in the Short Run: Unemployment or Inflation?</td>
<td>Chapters 12 and 13</td>
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<td><strong>C) Fiscal and Monetary Policy</strong></td>
<td>2) Managing Aggregate Demand in the Short Run: Fiscal Policy</td>
<td>Chapters 12 and 13</td>
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<td>3) Money and The Banking System</td>
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<td>4) Monetary Policy and the National Economy</td>
<td>Chapters 10 and 14</td>
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<td>5) The Debate over Monetary and Fiscal Policy</td>
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<td>6) Extending the Analysis of Aggregate Supply</td>
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<td><strong>D) The International Economy</strong></td>
<td>1) International Trade and Comparative Advantage</td>
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<td>2) Exchange Rates and the Macroeconomy</td>
<td>Chapter 17</td>
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D) The International Economy

1) International Trade and Comparative Advantage

2) The International Monetary System: Order or Disorder

3) Exchange Rates and the Macroeconomy

Chapter 16 pp. 301-320

and

The Choice

Chapter 17 pp. 323-341  Time Permitting

Chapter 18 pp. 345-357  Time Permitting