

**FAIRFIELD UNIVERSITY**  
FAIRFIELD, CONNECTICUT

ECONOMICS 12  
PRINCIPLES OF MACROECONOMICS

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In keeping with the mission of Fairfield University, this course seeks to develop the creative, intellectual of students by introducing them to the tools of economic analysis and by applying these tools to real world resource allocation problems. The course stresses that the ultimate utility of economic analysis is not for personal, financial enrichment but rather to help us fulfill our responsibilities to God and to society.

**I. TOPIC SCHEDULE AND TEXT ASSIGNMENTS**

**A. THE FOUNDATION FOR MACROECONOMICS**

- |                                    |        |       |                   |
|------------------------------------|--------|-------|-------------------|
| 1. WHAT IS ECONOMICS               | Taylor | CH. 1 |                   |
| 2. EXPLAINING THE MACRO PROCESS    |        | CH. 2 |                   |
| 3. SUPPLY & DEMAND                 |        | CH. 3 |                   |
| 4. THE MARKET FOR FOREIGN EXCHANGE |        |       | CH. 15 pp. 354-8, |
| HP:CH15 A&B                        |        |       |                   |
| 5. INTERNATIONAL TRADE POLICY      |        |       | CH. 18            |

**B. INTRODUCTION TO MACROECONOMICS**

- |                                   |       |       |  |
|-----------------------------------|-------|-------|--|
| 1. MACROECONOMIC POLICY GOALS     |       | CH. 4 |  |
| 2. MEASURING NATIONAL OUTPUT      |       | CH. 5 |  |
| 3. THE SPENDING MODEL             |       | CH. 6 |  |
| 4. THE PROBLEM OF UNEMPLOYMENT    | CH. 7 |       |  |
| 5. THE PROBLEM OF ECONOMIC GROWTH |       | CH. 8 |  |
| 6. THE PROBLEM OF PRICES          |       | CH. 9 |  |

**C. MODELS OF THE MACROECONOMIC PROCESS**

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|--|--------|--|
| 1. ECONOMIC FLUCTUATIONS AND THE KEYNESIAN MODEL | CH. 10 |  |
| 2. AGGREGATE DEMAND AND PRICES                   | CH. 11 |  |
| 3. USING THE FLUCTUATIONS MODEL                  | CH. 12 |  |
| 4. FISCAL POLICY                                 | CH. 13 |  |
| 5. MONETARY POLICY                               | CH. 14 |  |

**II. COUNSELING: Room 324 Faculty Office Building**

Tuesday: 11-12:00  
Wednesday: 9-11:00  
Friday: 11 - 12:00

Directions to RACK's Home Page: <http://www.faculty.fairfield.edu/rakelly>

Alternate path: Go to Fairfield's home page and choose the following links:

Academics → School of Arts & Science → Departments → Social Science  
→ Economics → Faculty → R.A. Kelly  
Select: **Course Materials/** Select: **EC.12**

**StagWeb. Check your StagWeb account regularly. "Love" notes will be sent via the StagWeb**

### III. EVALUATION

**Quizzes:** As the majority of students choose, there will be a quiz after each one or two chapters covered. To allow you some flexibility in your time management, you are required to take only 2 of every 3 quizzes offered. You do not need excuses, nor are make-ups necessary (or offered) for skipped quizzes. Prudence, however, dictates that you save your “skips” for emergencies. If you decide to take more than the required number of quizzes, your lowest excess quiz scores will be dropped in calculating your pre-exam average. e.g., If we manage to take six quizzes, you may either skip 2 or have your lowest 2 grades dropped. Make-up quizzes are provided only for students who missed a quiz because they were on University business (i.e., jocks & PPG’s).

**Class participation:** You are expected to be prepared for class, and are **encouraged to actively participate** in classroom activity. Students may be selected either voluntarily or at random to review previous classes, explain problem sets, or discuss text assignments. You are expected to read the text **before** our class discussion begins. Each new chapter will begin with a multiple guess **"Study Guide."** These will be due on the day a new chapter is begun. You will receive class participation points for completing each exercise or class (PRS) activity. Be forewarned that when **attendance** is notably low, I am inclined to give a ‘pop quiz’ which rewards those attending with class participation points. You should have a number of opportunities to earn participation points. Roughly, three out of every four of the class participation opportunities will be used to determine your semester participation score. This score will count as a quiz in determining your pre-exam average.

*If you are indistinguishable from the wall, you may accumulate several "0" class participation scores.* Because class participation will count as 1 quiz score, it can be your friend or enemy. If you are absolutely terrified of class participation or if you like to sleep late, aim at doing well on the actual quizzes as your class participation score is not likely to help you. Most students who take advantage of participation opportunities will amass enough class participation points to raise their pre-exam quiz average. n.b., Those who accumulate relatively few points inevitably seem also to score poorly on quizzes. Almost always, there are a few students who do well on every Study Guide, never miss class, and on occasion make a notable contribution to class discussions. You must compete with these students if you expect your class participation score to be your friend at the semester’s end.

**Final exam:** I believe that final exams are what the academic part of college is all about. Fairfield University requires that the final exam be **comprehensive**. Note that whatever your pre-exam average, should the Holy Ghost shine upon you during final exam, **an "A" on the final will get you an "A" for the course no matter what your pre-exam average.** i.e., There is always hope in this course.

Your course grade will be determined on the following basis:

Quizzes & Class participation	60%
Final exam	40%

### IV. ACADEMIC HONESTY

Please note the discussion on academic honesty in the Fairfield handbook or the introduction to the MACRO WORKBOOK. Your professor believes that it is his responsibility to diligent students that they are not placed at a disadvantage relative to those seeking a free ride. Be forewarned that your professor will not hesitate to convict on the basis of circumstantial evidence. If murderers can go to the gas chamber on the basis of circumstantial evidence so can cheats flunk a college course. A student who is found to have been academically dishonest:

1. Receives a "0" for the assignment, making it virtually impossible to pass the course.
2. Losses the privilege of having one out of every three quiz scores dropped, retroactively.
3. Will have a letter sent to the Dean for inclusion in his/her academic record.

**Spreadsheets:** participating in the student spreadsheet (Lotus or Excel) exercises is optional. However, to encourage your learning of Excel/Lotus, anyone who completes all of the spreadsheet exercises will receive his/her normal grade plus the next "tic" in the grade schedule. e.g., A C+ would be converted to a B-. n.b. Students are encouraged to cooperate in learning spreadsheet skills, but **make sure you learn**. The professor reserves the right to test your proficiency. Failure to establish proficiency at levels of completed assignments

will be treated as academic dishonesty and result your failure. *When you hand in a spreadsheet assignment, you are warranting to me that you possess and can demonstrate the skills required for completion of that assignment.*

## V. GRADING POLICY

Grades: Fairfield University's criteria for awarding grades is employed:

- A - Excellent: high achievement, unusual initiative, and creative work. Typically, this is about 10% of the class.
- B - Superior: clearly above average. Typically, this includes the second 15% of the class. n.b., This is not the grade awarded for paying one's tuition promptly or for regular attendance at class.
- C - Acceptable performance: I take this to mean average performance among Fairfield University students, and I use the previous students who have taken this course as my sample. Ultimately, it is you, not I, who set standards at Fairfield. I simply do my best to estimate where that standard is.
- D - Less than acceptable achievement, but sufficient knowledge demonstrated that the course need not be taken again. The grade curve need not include this value, but typically it does.
- F - Failure: this grade is awarded for sloth. If you have done poorly on a quiz and do not understand why, please critique your work and visit me promptly.

*I know no way to guarantee that your performance will be superior to that of your peers, but there is absolutely no reason why anyone should fail this course. There is nothing esoteric about Economics. But if, for some reason, it gives you difficulty, come and see me early and I will give you personal guidance.*

For those taking the spreadsheet option, by all means cooperate with your peers. I know of no quicker way to learn. But, as stated above, when you turn in an assignment, make certain that it is your own. When you hand in assignments, you are telling me that you have the skill to complete a similar exercise. If you can not complete an exercise when it is due, seek help. Should I find that you do not possess the computer skills that your homework suggests, the penalty will not be loss of a tic on the grade schedule, but rather failure of the course itself. Respect your classmates. Respect yourself. **Please be honest!**

## VII. CRITICAL THINKING

An important goal of this course, is to help you develop critical thinking skills for the discipline of Economics. In his book Critical Thinking, Michael Lipman defines critical thinking as skillful, responsible thought that facilitates good judgment because it (1) is based on criteria, (2) is self correcting, and (3) is sensitive to context. The vast majority of mistakes people make in rational judgment occur not because they do not have the capacity to reason but rather because they lack information or do not understand the empirical foundations of the information they do have. What economists do is to examine resource allocation problems through the filter of efficiency. You will be introduced to the tools of economic reasoning so that when it comes to resource allocation problems you will be able to think like an economist. In practice what this means is that you will learn to use chains of deductive reasoning in conjunction with simplified models (abstractions) of economic processes.

## VIII. TIPS ON LEARNING

**RECALL** is the ability to write, tell, or think in your own words about what you have experienced through seeing, feeling, hearing, or reading.

**POOR GRADES** are largely the result of:

- faulty note taking
- faulty reading
- faulty review.

Research establishes that most forgetting occurs shortly after exposure to a new "experience." Most of us forget 40 to 50 percent of what we learn within 24 hours and 85 percent of what we learn within 48 hours. What this implies is that for most of us *some sort of review should be included every time we read or do homework*. By doing so, we increase the chances of transferring learning experiences to our long term memory.

It is completely immaterial that your roommate seems to have total recall. For most of us--you and me--*repetition and review are the keys to long-term learning*. If you come to class 5 or 10 minutes early, look at the

notes from the previous class or look at previously completed problem sets or look at the previous chapter of your text. The payoff is bound to be significant.

## IX. THE MORAL OBLIGATIONS OF TEACHING

The course should assist participating students to develop a level of economic knowledge which will make them **competitive**. If you play my game (i.e., follow my lead), I promise that you will complete this course with a competitive level of knowledge.

Evaluation of student achievement ought to be **fair**. Unfortunately, fair means different things to different people, but I do the following things to make my evaluation of you as fair as I can:

1. **Reasonable standards** are set for you reach. Unfortunately, what is reasonable is a highly value laden term. I use the level of mastery of economics achieved by previous Fairfield students taking this course as the basis for determining what you must achieve to satisfactorily complete this course. I hope that you will agree that is a reasonable standard for you to reach.

2. All portions of tests which involve subjective scoring will be conducted "**name blind**." This is to assure equal treatment. You may not agree with my deductions, but they will not be personal.

3. All tests will be **graded on a curve**. I assume that the best student is deserving of an "A." Should there be no "natural A's," on a test, I will add the number of points necessary to turn the highest score to a 95. The tests of all other students will receive the same number of points added to their score.

4. **Sample questions** will be made available so that students will know on what basis they will be judged and so that those interested may prepare. Many of the problem sets available on my home page are old test questions.

# Ideas You Should Own by the Final Exam

*Check off each concept when you understand it and can explain it.*

- \_\_\_ What economics is.
- \_\_\_ What opportunity costs are.
- \_\_\_ How to use the concept of the Production Possibility Curve to explain society's choices.
- \_\_\_ Why trade and specialization benefit society.
- \_\_\_ The fundamental economic questions that all individuals and societies must address.
- \_\_\_ What a market is and why markets are important.
- \_\_\_ What causes a change in **demand** and a change in **quantity demanded**.
- \_\_\_ What causes a change in **supply** and a change in **quantity supplied**.
- \_\_\_ How a market can be in permanent disequilibrium
- \_\_\_ What the basic components of GDP are and how to measure GDP
- \_\_\_ How to construct and use a price index
- \_\_\_ How to convert one country's currency into another country's currency.
- \_\_\_ What currency appreciation and depreciation means for the economy.
- \_\_\_ Why business cycles occur.
- \_\_\_ How the U.S. unemployment rate is estimated.
- \_\_\_ The goals of the Employment Act of 1946.
- \_\_\_ How the GDP GAP is estimated.
- \_\_\_ The basic causes and consequences of inflation.
- \_\_\_ What explains economic growth.
- \_\_\_ How to solve short-run Keynesian macro models.
- \_\_\_ The concept of the balanced budget multiplier
- \_\_\_ How to apply the economic fluctuations model.

- \_\_\_ The difference between the national debt and the budget deficit
- \_\_\_ The difference between structural and cyclical budget surpluses.
- \_\_\_ How fiscal policy affects the economy.
- \_\_\_ The importance of money and why it is not a simple concept.
- \_\_\_ How the banking system makes money.
- \_\_\_ The powers of the Federal Reserve.
- \_\_\_ How the Federal Reserve influences the market for money.
- \_\_\_ How fiscal & monetary policy affect an economy in which prices can change.

*If these ideas are in your economic toolkit going into the final exam, you have made good progress, and you are likely to do well in the course.*