ECO 202: Principles of Macroeconomics  
Spring 2019

Amelia Hopkins  (ashopkin@uncg.edu)  
465 Bryan Building - Economics Department  
Phone 334-5463 Economics Department  
Office hours: 2-3:30 on Tuesday & Thursday  
or by appointment

CATALOG DESCRIPTION
Economic analysis of markets and government intervention that addresses the sustainability of fiscal, monetary and exchange rate policy and their short- and long-run impact on the global environment.

TEXTBOOK

PURPOSE
The course will develop your analytical ability (1) to understand the connective linkages of macroeconomic markets, (2) to analyze the current macroeconomic environment and (3) to assess the effectiveness and sustainability of macroeconomic policies (e.g. fiscal, monetary, and exchange rate).

The course will utilize aggregated markets such as the output, labor, credit/loanable funds, reserve, money and foreign exchange markets to analyze the effect of changes in monetary, fiscal and exchange policy in the context of the domestic and global economy. The lectures, discussions, readings and assignments will help to develop your ability to analyze the current economic environment, evaluate current government policies, and assess the risk facing businesses and households. Historical case studies will be employed as an important teaching tool to explain the current global economic environment.

SOURCES OF ECONOMIC DATA and ANALYSIS
See government agencies such as CBO.gov, BEA.gov, Federalreserve.gov, BLS.gov and other sources. For domestic and international data go to the St. Louis Federal Reserve Bank (FRED) database and for international data go to the United Nations Human Development Report 2011, http://hdr.undp.org. For unique social, political, and analysis related to growth and development go to TED Talks and listen to various presentations “Talks” by Hans Rosling. (See the last page of syllabus for websites.)

FACULTY STUDENT GUIDELINES

ATTENDANCE
Attendance and class participation is expected. If you miss class, you are responsible for the class material.

BAD WEATHER POLICY
The cancellation of class due to weather or other event may be on the date of a scheduled quiz or an exam date. If a test is cancelled, then be prepared to take the test the very next class period.

ACADEMIC HONOR CODE
Students are responsible for being familiar with the UNCG policy on cheating, plagiarism, misuse of academic resources, falsification and facilitation of dishonest conduct. Procedures and penalties related to these and other policy violations are found at: http://www.uncg.edu/handbook/academic-integrity-policy/. Any violation of the Honor Policy may result in a failure for the assignment and subsequently the course. Reminder: Copying and pasting from a website is plagiarism.
LEARNING OBJECTIVES FOR ECO 202
Students should be able:

1. To use the tools of supply and demand to analyze shifts in the aggregate macro markets.
2. To use the tools of supply and demand to provide analysis of intended and unintended outcomes from government intervention in the market place.
3. To discuss the macroeconomic environment with regard to nominal and real GDP, nominal and real interest rates, economic growth rates, price indexes, deflation and inflation; unemployment and employment; the federal budget deficit and the national debt; the current and capital accounts and its status as a debtor or creditor nation.
4. To analyze labor market issues with regard to employment and unemployment.
5. To identify the sources of economic growth for developed and developing countries with regard to public policy (savings, investment and taxation) that could increase the rate of potential (long-term) real GDP growth.
6. To analyze the effect of short-run fluctuations in the growth rate of real GDP and prices from supply (demand) shocks and to recommend appropriate policy changes.
7. To describe how exchange rates changes correct trade disequilibrium and why financial flows can disrupt the equilibration mechanism and cause trade imbalances to worsen.
8. To analyze the effect of changes in expansionary and contractionary monetary policy on economic activity with regard to employment, real GDP and inflation.
9. To discuss the short- and long-term effects on interest rates, inflation rates, and output growth from overly expansionary monetary policy in the late 1970s and Volcker’s fight against inflation from 1979-1982.
10. To analyze monetary policy according with reference to the interest rate targeting of the 1970s, 1990s and 2000s and the resulting boom and bust cycle.
11. To analyze the effects on economic activity and economic growth from fiscal policy and deficit spending with reference to the non-sustainability of current policy.
12. To analyze the effect of the 1980s budget deficits and monetary policy on real interest rates, the current account deficit, the value of the dollar, and the US as creditor or debtor nations.
13. To analyze the adjustment process of the Bretton Woods international financial system and to use the analysis to explain why fixed exchange rates are non-sustainable.

REQUIREMENTS and GRADES
There will be two mid-terms (25% each) and a final exam (30%). Tentative exams dates are February 19th and April 9th. See Final Exam Schedule for final exam dates: https://reg.uncg.edu/wp-content/uploads/SP19-ExamSchedule.pdf No make-up exams are given. The weight of a missed exam, (assuming a valid excuse) will be added to the final exam. There will be six quizzes during the semester and they will be announced at least one week in advance. The lowest two quiz scores will be dropped and quizzes account for 20% of the final grade (5% each). A missed quiz will result in a “0”, but remember the lowest two are dropped. Incompletes are not an option. The grading scale is:
A/A-: 90 – 100%  B+/B/B-: 80 – 89%  C+/C/C-: 70 – 79%  D: 60-69%  F: Less than 70%

EXTRA CREDIT
No extra credit is provided at the end of the course. Rather there are opportunities to bolster your grade with special extra credit assignments. During the semester there will be opportunities to write papers summarizing and analyzing an article on news dealing with a relevant topic. The article will be posted on Canvas and there will be adequate time to write the papers after posting. A maximum of 10 points can be earned on each paper and will be added to your cumulative grades for a 1000 point total (see example below).
EXAMPLE OF GRADE CALCULATION
Final grade is based on a 1,000 point total with Exam I counting 250 points (2.5 X score), Exam II counting 250 points (2.5 X score) and the Final Exam counting 300 points (3 X score). The average of the top four quiz grades will account for 200 points (2X average score). The extra credit points are added to the final grade calculation. EXAMPLE: Exam I grade is 75, Exam II is 78 and Final is 76 and quizzes average 80. Total points would be 770.5 out of 1,000. With 30 points of extra credit the final score would be 800.5 for a “B-” final grade, despite making a C on all exams.

ADDED REQUESTS and REQUIREMENTS
You must put your name and your course numbers (ECO 202) on every assignment submitted for a grade. No credit will be given if your name and course are not legible at the top of the assignment. Extra credit papers must be turned in printed and stapled, so I can add comments before returning.

MISSION STATEMENT of BRYAN SCHOOL of BUSINESS and ECONOMICS
In the Bryan School of Business and Economics, we create and disseminate knowledge about the theory and practice of business. In addition to our courses and research, we accomplish this through hands-on projects, global experiences and outreach to the community. Our work produces principled leaders and exceptional problem solvers who have a global perspective, an innovative mindset, a broad understanding of sustainability, and a commitment to improve the organizations in which you work and the communities in which you live.

COURSE OUTLINE: ECO 202
Spring 2019

Week 1: Introduction - Economic Growth and Development
  Read Chapter 9 Section 4: (Chapter 9.4)
  Ch 1: The Economic Way of Thinking
  Ch 2: Globalization. The Circular Flow Model of Economic Activity
  Ch 3: More on Economic Growth (Section 3.1, 3.2, 3.3)

Week 2: Supply and Demand
  Ch 4.1 Demand: Fig 4.1 and 4.2
  Ch 4.2 Supply: Fig 4.3 and 4.4
  Ch 4.3 Market Equilibrium and the Automatic Adjustment Process Fig 4.5 and 4.6
    Factors that Shift the Supply and Demand Fig 4.7 and 4.8
    Shifts in the Curve (Schedule) and Movements along the Schedule
    Double Shifts Figure in Supply and Demand: Fig 4.9 and 4.10
  Ch 4.4 Price Rigidities: Floors e.g. Minimum Wage: Fig 4.11 and 4.12
    Price Ceilings Fig 4.13 and 4.14
    Sticky Prices

Week 3: Measuring GDP
  Ch 5.1 Income and Expenditure Approaches
  Ch 5.2 Real GDP
    Define GDP by the four categories of expenditures. (Know their abbreviations)
    How is inventory treated in the measurement of GDP?
    Exercise: Calculating nominal real GDP, actual GDP and the price level
  Ch 5.3 The Uses and Limitations of GDP. The Business Cycle: Potential and Actual Real GDP
    Exercise: Calculate Potential GDP and the Output Gap in a Time Series Diagram
    Exercise: Go to the NBER website: http://www.nber.org/cycles.html
    Analyze the data. What do you discover?
ECO 202, Outline: Page 4

Week 4: Jobs, Labor market and Unemployment
   Ch 6: Jobs and Unemployment
   Ch 6.1 Labor Market Indicators: Definitions and Formula
   Ch 6.2 U Rate, LFPR, and Alternative Labor Market Measures
   Ch 6.3 Unemployment and Full Employment
   Ch 8 (pp. 192-193) Economic Schools of Thought
   Ch 8.1 More on Potential Real GDP
   Ch 8.2 Natural Rate of Unemployment and Potential GDP

Week 5: Chapter 13.1: Aggregate Supply
   Chapter 13.2: Aggregate Demand
   Ch 8.1 More on Potential GDP
   Ch 8.2 More on The Natural Rate of Unemployment (Sticky or Rigid Wages)
   Overflow & Review for Exam

EXAM I

Week 6: The CPI and the Cost of Living
   Ch 7.1 The CPI
   Ch 7.2 The CPI and Other Price Level Measures
   Ch 7.3 Nominal and Real Values

Week 7: Economic Growth.
   Ch 9.1 Growth Rates and the Rule of 70
   Ch 9.2 Labor Productivity Growth
      Capital Accumulation and Diminishing Returns
      Expansion of Human Capital and the Discovery of New Technology
   Ch 9.3 Growth Theories
   Ch 9.4 Achieving Faster Growth: Preconditions and Policies

Week 8: Finance, Savings and Investment
   Ch 10.1 Financial Institutions and Markets
   Ch 10.2 The Loanable Funds Market
   Ch 10.3 Government in the Loanable Funds Market
      Crowding Out (pp. 261-2620

Week 9: The Monetary System
   11.1 What is Money?
   11.2 The Banking System
   11.3 The Federal Reserve System
   11.4 Regulating the Quantity of Money

The role of the Fed and the fractional reserve banking system in the creation and destruction of money through the open market purchase or sale of government bonds is demonstrated. The Expansionary case is introduced as is the contractionary case. The money multiplier is introduced and the influence that the public and the banking system can have on the multiplier is discussed through the history of the Great Depression (1930’s) and the Global Financial Crisis in 2008.

Paul Volcker’s contribution to macroeconomic history and the policy changes that were enacted under his leadership to fight the high inflation of the early 1980’s. The legacy of former Fed Chair Ben Bernanke.
Week 10: Monetary Policy
17.1 How the Fed Conducts Monetary Policy:
17.2 Monetary Policy Transmission
   The Fed Fights Recession (pp. 440-441)
   The Fed Fights Inflation (pp. 442-443)
17.3 Monetary Policy Rules
Exercise: Should the Federal Reserve have a policy rule?

EXAM II

Week 11: More on Aggregate Supply and Aggregate Demand
Ch 13.1 Aggregate Supply
Ch 13.2 Aggregate Demand
Ch 13.3 Explaining Economic Trends and Fluctuations (Revisiting the Business Cycle – Class 3)
   Recessionary Gap and Inflationary Gap (p. 341)
   Demand-Pull Inflation (p. 344); Cost-Push Inflation (p.345)

Week 12: Fiscal Policy
Ch 16.1 Federal Budget
   The “ticking time bomb” – fiscal policy challenge (p. 406)
   The Simpson-Bowles proposal
Ch 16.2 Fiscal Stimulus

Week 13-14: International Finance
19.1 Financing International Trade
   Balance of Payment Accounts
19.2 The Exchange Rate
   Bretton-Woods
   Purchasing Power Parity (p.496)
   Why exchange rates are volatile. (p.496)

Week 15: Review

Comprehensive Final: Exam schedule can be found at this link:

Rosling

The following is a list of his video presentation which is found by Googling Rosling TED Talks

TED 2006 **The best stats you've ever seen** 8.3M views Jun 2006, 19:50

TED 2007 **New insights on poverty** 2.6M views Jun 2007, 18:57

TED 2009 **HIV — new facts and stunning data visuals** 669K views May 2009, 10:02

TED @ STATE **Let my dataset change your mindset** 989K views Aug 2009

TED India **Asia's rise — how and when** 1.4M views Nov 2009, 15:50

**Global population growth, box by box** 1.8M views Jul 2010

**The good news of the decade?** 553K views Oct 2010

**The magic washing machine** 1.8M views Mar 2011, 9:15 **13:20**

Why you should listen? Even the most worldly and well-traveled among us will have their perspectives shifted by Hans Rosling. A professor of global health at Sweden's Karolinska Institute, his current work focuses on dispelling common myths about the so-called developing world. which (he points out) is no longer worlds away from the West. In fact, most of the Third World is on the same trajectory toward health and prosperity, and many countries are moving twice as fast as the west did.

What sets Rosling apart isn't just his apt observations of broad social and economic trends, but the stunning way he presents them. Guaranteed: **You've never seen data presented like this.** By any logic, a presentation that tracks global health and poverty trends should be, in a word: boring. But in Rosling's hands, data sings. Trends come to life. And the big —usually hazy at best snaps into sharp focus. Rosling developed the breakthrough software behind his visualizations through his nonprofit Gapminder.

Rosling's presentations are grounded in solid statistics (often drawn from United Nations data), illustrated by the visualization software he developed. The animations transform development statistics into moving bubbles and flowing curves that make global trends clear, intuitive and even playful. During his legendary presentations, Rosling takes this one step farther, narrating the animations with a sportscaster's flair.

Rosling began his wide-ranging career as a physician, spending many years in rural Africa tracking a rare paralytic disease (which he named konzo) and discovering its cause: hunger and badly processed cassava. He co-founded Médecins sans Frontières (Doctors without Borders) Sweden, wrote a textbook on global health, and as a professor at the Karolinska Institut in Stockholm initiated key international research collaborations.