

ECO 252
PRINCIPLES OF MACROECONOMICS

COURSE DESCRIPTION:

Prerequisites: ENG 090 and RED 090 or DRE 098; MAT 070 or DMA 010, 020, 030, 040, 050, or satisfactory score on placement test

Corequisites: None

This course introduces economic analysis of aggregate employment, income, and prices. Topics include major schools of economic thought; aggregate supply and demand; economic measures, fluctuations, and growth; money and banking; stabilization techniques; and international trade. Upon completion, students should be able to evaluate national economic components, conditions, and alternatives for achieving socioeconomic goals.

This course has been approved to satisfy the Comprehensive Articulation Agreement for the general education core requirement in social/behavioral sciences. Course Hours Per Week: Class, 3. Semester Hours Credit, 3.

LEARNING OUTCOMES:

Upon successful completion of the course, students will be able to:

- a) Understand that economics is about the allocation of scarce resources, that scarcity forces choice, tradeoffs exist and that every choice has an opportunity cost. Be able to demonstrate these concepts using a production possibility frontier diagram.
- b) Understand how comparative advantage provides the basis for gains through trade.
- c) List the determinants of the demand and supply for a good in a competitive market and explain how that demand and supply together determine equilibrium price.
- d) Understand the causes and effects of inflation and unemployment.
- e) Describe the macroeconomy using aggregate demand and aggregate supply analysis.
- f) Demonstrate an understanding of monetary and fiscal policy options as they relate to economic stabilization in the short run and in the long run.

OUTLINE OF INSTRUCTION:

- I. Economics: what it's all about
 - A. Scarcity
 - B. Opportunity cost
 - C. Basic economic decisions
 - D. Positive vs. normative analysis
 - E. Marginal analysis
 - F. Rational behavior
 - G. Graphing
- II. Production possibilities
 - A. Resources, technology and production possibilities
 - B. Production possibilities curve
 - C. Expanding production possibilities
- III. Supply and demand analysis
 - A. Demand
 - B. The law of demand and the market demand curve
 - C. Supply
 - D. The law of supply and the market supply curve

- E. Market equilibrium, price and quantity
 - F. Prices and scarcity
 - G. Markets for labor and credit
 - H. Price ceilings, floors and controls
- IV. Gross domestic product and the performance of the national economy
- A. Gross domestic product (GDP)
 - B. Intermediate and final goods
 - C. Nominal GDP and real GDP
 - D. How good is GDP as a measure of national well-being
 - E. The expenditure and income components of GDP
- V. Business cycles, unemployment, and economic growth
- A. The business cycle
 - B. Unemployment
 - C. The national rate of unemployment and potential real GDP
 - D. Forms of unemployment
 - E. Sources of growth
- VI. The price level and inflation
- A. Consumer index
 - B. Measuring inflation
 - C. Changes in the price level vs. changes in relative prices
 - D. The GDP deflator
 - E. Distortions and costs of price instability
 - F. Nominal wages vs. real wages
 - G. Anticipated inflation and economic decisions
 - H. Inflationary distortions in saving and investment
 - I. Hyperinflation
 - J. Deflation
- VII. Aggregate demand and aggregate supply
- A. Aggregate demand
 - B. Aggregate supply
 - C. An overheated economy and stagflation
 - D. Exchange rates and macroeconomic equilibrium
- VIII. Aggregate purchases and macroeconomic equilibrium
- A. The consumption function
 - B. Investment purchases
 - C. Aggregate purchases
 - D. Contractions or recessions
 - E. The multiplier
- IX. The function of money
- A. What is money and its functions?
 - B. Measuring the stock of money
 - C. The demand of money
 - D. Money, demand, and interest rates
- X. The banking system
- A. Banking
 - B. How banks make loans and create checkable deposits

- C. Expansion of the money stock for the entire banking system
 - D. The money creation process
 - E. Bank demand for excess reserves
 - F. The federal funds market
- XI. The federal reserve system (FED) and its influence on money and credit
- A. The federal reserve system
 - B. The fed's influence on the monetary base
 - C. Money supply, demand, equilibrium interest rates
- XII. Stabilization of the economy through monetary policy
- A. Money and short-term macroeconomic equilibrium
 - B. Money, real GDP, prices, and monetary policy
- XIII. Stabilization of the economy through fiscal policy
- A. The federal budget and its impact on the economy
 - B. Using fiscal policy to influence aggregate demand
 - C. Automatic stabilizers and cyclical influences on the budget deficit
 - D. Supply side fiscal policies
- XIV. The federal budget deficit and the national debt
- A. The federal budget balance between revenue and expenditures
 - B. The national debt
 - C. Measuring the deficit and its impact
- XV. Issues in stabilization policy
- A. The phillips curve
 - B. The theory of rational expectations and the trade-off between inflation and unemployment
- XVI. International trade
- A. International trade theory
 - B. Protectionism vs. free trade
- XVII. The economics of foreign exchange and the balance of international trade
- A. International trade transactions
 - B. Foreign exchange market
 - C. Nominal and real exchange rates

REQUIRED TEXT AND MATERIALS:

To be selected by the instructor.

STATEMENT FOR STUDENTS WITH DISABILITIES:

Students who require academic accommodations due to any physical, psychological, or learning disability are encouraged to request assistance from a disability services counselor within the first two weeks of class. Likewise, students who potentially require emergency medical attention due to any chronic health condition are encouraged to disclose this information to a disability services counselor within the first two weeks of class. Counselors can be contacted by calling 919-536-7207, ext. 1413 or by visiting the Student Development Office in the Phail Wynn Jr. Student Services Center, room 1209.