

**Economics 203-506, Spring Term, 2000**  
**Principles of Macroeconomics**

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This course is an introduction to macroeconomics. We will study several aspects of the U.S. economy, and will compare them with corresponding features of the other advanced economies and developing economies. Our goals are: (1) to establish a clear understanding of macroeconomic concepts such as gross domestic product; the aggregate price level and its components; inflation, its causes, and its consequences; the tools of fiscal policy; the money supply and the importance of monetary policy; the labor force; unemployment, and so on; (2) to show where the United States stands in relation to the world economy; (3) to establish some practical foundations for your own saving and investment decisions. From now on, you will be investing in yourself (your own human capital) and other assets. It is vitally important to invest wisely.

*TEXTBOOKS:*      (1) C. McConnell and S. Brue, Macroeconomics, 14<sup>th</sup> edition (Irwin/McGraw-Hill, 1999)

                          (2) Study Guide to accompany McConnell and Brue, Macroeconomics, 14<sup>th</sup> edition.

                          (3) Milton Friedman, Capitalism and Freedom, paperback, (University of Chicago Press, 1962)

It is essential that you buy and use the Study Guide. It contains hundreds of questions and answers that will help you prepare for the examinations. It also contains detailed answers to the “Key Questions” assigned at the end of each chapter of McConnell-Brue.

Capitalism and Freedom embodies the reflections of a distinguished economist on the vital role of private property and private markets as cornerstones of individual freedom. Milton Friedman, winner of the Nobel Prize in Economic Science in 1976, writes his views clearly and forcefully.

**GRADES.** There will be four hourly examinations. Exam 1 on February 14; Exam 2 on February 28; Exam 3 on March 29; Exam 4 on April 28. There will be no makeup exams. To compute your overall course grade, your lowest exam score will be excluded. Your overall course average is the average of your three best exam scores. If you happen to miss an exam, then your overall course grade will be the average score on the three exams you took: none of these three exam scores will be excluded in computing your course average. **It is strongly recommended that every student take all four exams. Any questions you may have about an exam grade must be resolved within one week after grades are posted.**

Learning in economics is like learning mathematics or chemistry in the sense that new material is built on concepts and analysis that have already been mastered. It is critically important that you keep up with readings, Study Guide exercises, and end-of-chapter questions as they are assigned. To fall behind the assigned material will lead to a poor performance, so it is vital to stay current.

All students are expected to have good knowledge of high school algebra and plane geometry. Analytical work in this course relies heavily on numbers, algebra, and geometry.

### **Assignments and Test Schedule**

Jan. 19

McConnell-Brue Chapter 1 Nature and Method of Economics  
 Questions 2, 5, 7, 8, 9, 11  
 Appendix to Chapter 1 Graphs and Their Meaning  
 Questions 2, 3, 4, 5, 6, 7

Jan. 24 - 26

McConnell-Brue Chapter 2 The Economizing Problem  
 Questions 1, 2, 4, 5, 6, 7, 10, 11, 12, 15  
 Friedman, Capitalism and Freedom Introduction

Jan. 31 - Feb. 2

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McConnell-Brue Chapter 3 Individual Markets: Supply and Demand (Shifts in Supply and Demand)  
Questions 1, 2, 4, 5, 7, 8, 12, 14

Feb. 7 - 9

McConnell-Brue Chapter 4 Pure Capitalism and the Market System  
Questions 1, 2, 3, 4, 9, 10  
Friedman Chapter I The Relation between Economic Freedom and Political Freedom  
Friedman Chapter VII Capitalism and Discrimination

Feb. 14 **Test 1**

Feb. 16

McConnell-Brue Chapter 5 The Mixed Economy: Private and Public Sectors (Taxes, tax rates, income distribution; federal, state, local taxes)  
Questions 1, 2, 4, 6, 9, 10, 14  
Friedman Chapter II The Role of Government in a Free Society

Feb. 21

McConnell-Brue Chapter 6 The United States in the Global Economy  
Questions 1, 2, 3, 4, 5, 6, 7, 10, 12

Feb. 23

McConnell-Brue Chapter 7 Measuring Domestic Output, National Income, and the Price Level  
Questions 3, 4, 5, 6, 7, 11, 12, 14

Feb. 28 **Test 2**

March 1

McConnell-Brue Chapter 8 Macroeconomic Instability: Unemployment and Inflation  
Questions 2, 3, 6, 7, 10

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March 6

McConnell-Brue Chapter 9 Building the Aggregate Expenditures Model  
Questions 2, 3, 6, 8, 11, 13, 14, 15

March 8

McConnell-Brue Chapter 11 Aggregate Demand and Aggregate Supply  
Questions 1, 2, 4, 5, 6, 7, 9

**March 13-17**

**SPRING BREAK**

March 20

McConnell-Brue Chapter 11 Aggregate Demand and Aggregate Supply

March 22 - 27

McConnell-Brue Chapter 12 Fiscal Policy (Government Expenditures and Taxes)  
Questions 3, 7, 9, 10, 11  
Friedman Chapter V Fiscal Policy (Possibilities for Government Spending to Crowd Out Private Spending)

March 29 **Test 3**

April 3 - 5

McConnell-Brue Chapter 13 Money and Banking  
Questions 1, 2, 3, 4, 5, 6, 7, 10

April 10 - 17

McConnell-Brue Chapter 15 Monetary Policy  
Questions 3, 4, 5, 6  
Friedman Chapter III Monetary Policy  
Milton Friedman tape "How to Stop Inflation"

April 19 - 26

McConnell-Brue Chapter 18 Economic Growth  
Questions 1, 2, 3, 4, 5, 8, 10

April 28     **Test 4**

**IMPORTANT DATES**

January 24                      Q-drop period begins. Last day to add classes

**February 14**                **Test 1**

**February 28**                **Test 2**

March 6                      Midsemester grades due

March 13-17                Spring Break

**March 29**                    **Test 3**

April 3                      Last day to Q-drop

**April 28**                    **Test 4**