

General Education Course Proposal

Proposed Course: ECON 0050 PRIN MACROECON Units 3
Prefix No. Title

Department: ECONOMICS School: SOCIAL SCIENCES

GE Category (Indicate one category only):

Foundation: A1___; A2___; A3___; B4___
 Breadth: B1___; B2___; C1___; C2___; D X; E___
 Integration: B___; C___; D___; International/Multicultural___

Existing Course X; Revised Course___; New Course___

Course Included in Current GE Program YES

New courses require the Undergraduate Course Proposal form in addition to this form.
 Revised courses require the Undergraduate Course Change Request in addition to this form.

Proposed catalog description: Limit course description to 40 words using succinct phrases. Include prerequisites, limitations, lecture/lab hours. Indicate former course number, e.g., (Former Biol 105)

Prerequisite: Economics 40. Macroeconomic theories of the determination of income, output, employment and prices in the economy as a whole; business cycles, fiscal and monetary policies; economic growth and development, international trade, comparative economic systems. General Education, BREADTH, Area D.


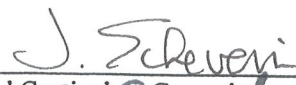
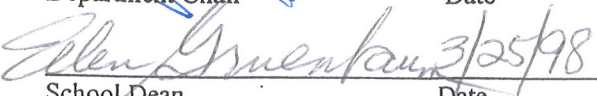
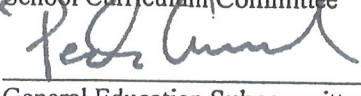
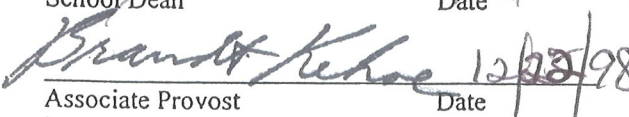
Enrollment limit per section: 50

Expected number of sections per semester – Year 1 8-9; Year 3 9-11

Attachments:

1. A statement presenting the ways in which this course meets the Specifications provided in the appropriate section of the General Education Policy as well as in the Policies for Inclusion and Evaluation of General Education Courses.
2. A statement of elements common to all sections of this course, identifying content, objectives, required student activities, grading policy, representative texts, and an approximate schedule for the course. Required student activities include such things as papers, research projects, homework, laboratory and/or studio performance, recitations, participation, attendance, and exams.
3. A typical syllabus for a particular offering of the course.
4. Any special cost factors associated with this course.

Approval for Inclusion in General Education

 Department Chair Date <u>3/12/98</u>	 School Curriculum Committee Date <u>3/18/98</u>	
 School Dean Date <u>3/25/98</u>	 General Education Subcommittee Date <u>12/15/98</u>	
 Associate Provost Date <u>12/23/98</u>		

1/14/98

ATTACHMENT 2

GENERAL COURSE SYLLABUS: A Statement of Elements Common to all Sections of Course

**CALIFORNIA STATE UNIVERSITY
FRESNO**

ECONOMICS 50: PRINCIPLES OF MACROECONOMICS

3 Semester Units

COURSE DESCRIPTION

Prerequisite: Economics 40. Macroeconomic theories of the determination of income, output, employment and prices in the economy as a whole; business cycles, fiscal and monetary policies; economic growth and development, International trade, comparative economic systems. General Education, BREADTH, Area D.

COURSE OBJECTIVES

Common Objectives

Knowledge of basic economic indicators, GDP, real v. nominal data, price indexes, National Income Accounts, Balance-of-Payments, unemployment rates, real growth, monetary aggregates, financial markets.

Keynesian theory, classical/neo-classical and monetarist theories of National Income determination. Knowledge of business cycle theories and forces leading to Depression. Counter-cyclical policies, (fiscal and monetary).

Conversant knowledge of theories and issues of the public sector budget, including balanced budget.

Investment, capital formation, technical change, industrial dynamism and economic growth. Underdeveloped countries and economic backwardness. Foreign trade, International capital flows, currency stability, exchange rates, foreign economic policy.

Comparative Economic Systems, Socialism, Corporatism, European Welfare State, Social-Democratic Policies, EC, Japan's Development model.

PREREQUISITES

Economics 40

GRADING POLICY

The Instructor will determine the relative weights of the assignments and tests, as well as the weights assigned for matters of attendance and class participation. Specific course syllabi will state these weights clearly.

All instructors will keep accurate and timely records of grades received. Grades will be based on an A-F scale, with the instructor to determine whether a curve will establish the grades, or pre-set points, or some other basis. The syllabi will reflect clearly the method by which semester grades will be

determined. CR/NC grades may be administered when such a grading method has been authorized through University procedures.

ATTENDANCE

Attendance policy is to be determined by the instructor. Attendance policy and all penalties relating to missed classes will be clearly stated on specific course syllabi.

TEXTS AND READINGS

Specific texts will be determined by the course instructor. Such determination may include consultation with the Departmental Chair and/or the appropriate Departmental Committee.

Readings and assignments will be designed to commit students to no more than an average of two hours of independent preparation for each hour of formal lecture.

REQUIRED TEXTBOOKS AND SUPPLEMENTAL MATERIALS

Representative texts are to be utilized in this course. Such texts might include, but will not be limited to:

William Baumol and Alan Blinder, Macroeconomics: Principles & Policies

Thomas McEachern, Macroeconomics

Paul Samuelson and William Nordhaus, Macroeconomics

Bradley Schiller, The Macroeconomy Today

Joseph Stiglitz, Principles of Macroeconomics

Karl Case and Ray Fair, Principles of Macroeconomics

Michael Parkin, Macroeconomics

Campbell McConnell & Stanley Bruce, Macroeconomics

SUMMARY OUTLINE OF THE COURSE

Common Content

The course may follow a schematic outline, which may include:

- I. The macroeconomic structure of the US Economy
- II. Major themes in macroeconomics: Business cycles, Unemployment, Inflation
- III. National Income Accounting

- IV. The Consumption Function and the role of consumption
- V. Savings and Investment
- VI. Macroeconomic Equilibrium
- VII. Imports, Exports, Equilibrium in an Open Economy
- VIII. Government Spending and Fiscal Policy
- IX. Multiplier Effects
- X. Government Debt and Deficits, causes and consequences
- XI. Financial Markets
- XII. The History of Banking and Finance, including creation of the Federal Reserve System
- XIII. The Federal Reserve and Monetary Policy
- XIV. Economic Growth, productivity, and endogenous growth theory
- XV. International Trade, including comparative advantage, regional trade pacts
- XVI. International Finance
- XVII. Macroeconomic Policy in an Open Economy
- XVIII. Economic Development
- XIX. Comparative Economic Systems

ALLOCATION OF COURSE TIME, AND EMPHASIS

Items I - VI, approximately five weeks
 Items VII - XIII, approximately six weeks
 Items XIV - XIX, approximately four weeks

In determination of the allocation of time devoted to topics, reasonable latitude, based upon professional interest, inclination, specialization and theoretical orientation, will be allowed.

COURSE CALENDAR: Exams and Assignments and Writing Requirement

The instructor will determine the frequency and nature of exams, and all other assignments. The course outline will clearly reflect the relative weights of each assignment, and the grading criteria and grading scale.

Frequency of exams, assignments

There will be a minimum of three in-class exams, including the Final exam, administered according to the Final Exam Schedule.

Writing

Exams will include in-class writing of either essay questions or short-answer questions. Such writing will constitute a significant portion of all in-class exams.

A minimum of 2,000 words of writing will be required for this course.

Quizzes, homework, etc.

Additional exams, quizzes, graded out-of-class assignments, homework, etc. may be assigned by the instructor.

Exam dates

Approximate dates for all exams and assignments will be included on the specific syllabus.

Writing assignments

A brief description of any writing assignment, paper or other such assignment will be included in the specific course syllabus.

ADMINISTRATIVE MATTERS

The specific outline will clearly state policies regarding make-up exams, late papers, missed assignments, etc.

STUDENTS WITH DISABILITIES

All students with disabilities will receive every reasonable accommodation to facilitate their learning and testing evaluation. They will be instructed to discuss their needs with the instructor during the first week of class.

PLAGIARISM, CHEATING, CLASS CONDUCT

All instructors will either directly refer students to University policy in the Catalog and Schedule of Courses or state University policy regarding such matters in their course syllabus.

FEES

Normally, there will be no student fees for this course.

ECONOMICS 50 (3 units)

Spring 1998

Prof. John A. Shaw

PREREQUISITES: Economics 40**Books, Supplies, and Equipment:**

1. **Texts:** Baumol & Blinder, *Economics: Principles and Policy*, 7th edition (regular or 1998 update)
Swan, *Study Guide for Baumol & Blinder's Economics*, 7th edition (please note that some of the answers in the Study Guide are incorrect, so be careful).

2. Scan-Tron Form 882

3. You will need a basic calculator.

Data Resources on the WWW: http://www.csufresno.edu/Economics/econ_EDL.htm**ATTACHMENT 3**

e-mail: johnsh@csufresno.edu

Office: PB 321 Office Phone: 278-2673

Office Hours: M-F 11:00-12:00

or ANYTIME by prior arrangement

CONFERENCES – I will be pleased to meet with you during the course of the semester. You may “walk-in” during my office hours or arrange a meeting at another mutually convenient time to discuss readings, homework assignments, or just to chat about the class. Your professors are a vastly under-utilized resource. You are here to improve your skills. When material is unclear it is your responsibility to seek assistance. Do not be bashful. I can assure you that none of your classmates understands all of the material. Questions are not dumb, it is the people who fail to ask questions who are dumb. Sometime during the semester each of you will need assistance. Therefore, I **expect** each of you to come to my office for conferences.

HOW MUCH STUDYING? – Roger A. McCain a Professor of Economics at Drexel University says “...I’ve taken to polling my students...raise your hand if you expect to be in the top half of the grade distribution. Invariably, 90% or more expect to be in the top half. And they expect to do that while studying less than average.” <http://wuecon.wustl.edu/~tchecndg/0077.html> (26 January 1997)

The basic rule for out of class preparation is 2 hours of study for each 1 hour of class time. Yes, you did that correctly: **2 hours of study for each 1 hour of class time**. It is expected that a student in a 3 unit course spends 3 hours per week in class and 6 hours per week preparing outside of class. When you enroll in a 3 unit class you are making a commitment to 9 hours per week for that class. A student with a 15 unit load is making a minimum commitment of 45 hours per week to his or her education. Very few students can successfully juggle 15 units, employment, and a social life in the same semester.

ATTENDANCE – Attendance is mandatory because the material covered is cumulative and missed classes will distract from the learning process. Each student needs to attend class punctually and regularly and to actively participate in class discussions. Active participation requires that you have read and thought about the assignments **BEFORE** coming to class. Passive learning is very unproductive. There will be a reward for good attendance and a penalty for poor attendance.

Excused Absences:

- medical (documented)
- legal (documented)
- major family problems (documented)
- school related, including athletics (documented)
- religious (documented)

Unexcused Absences:

- overslept
- car problems
- work
- vacation
- leaving early
- more than 5 minutes
- late

UNEXCUSED ABSENCES	REWARD/PENALTY
0	plus 20 points
1	plus 10 points
2	no reward and no penalty
3	minus 5 points
4	minus 15 points
5	minus 30 points
6 or more	an additional 20 points for each additional absence

If you have an excused absence for missing a class, by all means let me know. You should, if possible, let me know in advance that you will be absent to insure

that you do not miss class assignments. In the case of student-athletes you must inform me in writing before the dates you will miss class. You remain responsible for obtaining all homework assignments or other missed work. All assignments must be turned in by the due date (you can always turn in a written assignment ahead of time).

Latecomers disrupt the academic process; please arrive promptly. Students more than 5 minutes late to class will be marked absent even though they attend class that day. Attendance points will be awarded only to students who arrive on time and who stay for the entire class period.

INAPPROPRIATE BEHAVIOR – Napping, sleeping, or chatting during class are forms of unmannerly behavior. It is unfair to all in the class when you disrupt the learning process with rude behavior.

WRITING REQUIREMENT – “Every course in BREADTH Divisions 2–9 requires 2,000 words of writing. The writing must be student composition which may include essays, essay examinations, and journals or lab books. At least one-half of the written material is to be in the form of a multiparagraph, i.e., a sustained argument.” *1997-98 General Catalog for California State University, Fresno* <http://129.8.20.57/current/breadth.html> (25 January 1998). If you have exceptionally poor writing skills you should immediately contact the English Department for assistance. It offers a number of alternatives for improving your writing.

Your formal written explanations on the homework assignments and your essays on examinations will be used to satisfy the writing requirement in this course. The quality of your writing will be graded on both the homework assignments and the examinations. By the end of the semester all of your writing should be free of grammar, spelling, capitalization, and punctuation errors. It is crucial for this class and for your future that you become a successful communicator.

HOMEWORK ASSIGNMENTS – I have created a series of exercises to be completed outside of class. They are designed to focus your attention on some essential economic principles and techniques and to improve your communications skills.

Homework will be assigned about once a week. Usually you will have two days to complete each assignment. You should begin preparing your solution the day you are given the assignment.

You need to read and understand the relevant portions of the textbook **before** the class discussion of the material and **before** you attempt to complete each exercise.

You need to prepare at least two drafts of each homework assignment. The first draft should concentrate on explaining exactly how you reached your specific answer. Your goal is to construct an explanation that would allow someone who does not already know how to solve the problem to follow your instructions and produce the correct solution for a similar exercise with different numbers. Your second and subsequent drafts should eliminate any errors in grammar and spelling. The paper that you hand in must be completely legible. Typed or word processor generated papers are preferred.

Your grade on each exercise will be determined by 1) the quality of your solutions and 2) the quality of your explanations including grammar and spelling. One word or numeric solutions are **NEVER** enough to satisfy the writing requirement. Homework without explanations will receive a failing grade.

Before you can write a detailed explanation you must thoroughly understand the material. Such understanding can only be achieved with preparation.

You cannot expect to successfully complete the exercise “on your way to class.”

Homework is due (and only will be accepted) at the beginning of class. Please place your completed exercises on the front table when you enter the classroom. If you know you are going to be absent you must turn in your assignment **before** the class period it is due.

Allow yourself time to come to my office to get help **before** the day the assignment is due.

Parts of these exercises will appear on each exam including the comprehensive final exam. It will be **impossible** to earn a passing grade in the course without being able to correctly solve these exercises.

REFERENCE MATERIAL – Each time I grade your work I will have at my side a dictionary and other reference material. You should always have a dictionary available when you are writing. Two style manuals that I find extremely useful for help with clarity, grammar, punctuation, and usage are:

Hacker, Diana. A Pocket Style Manual. 2nd edition Boston: Bedford Books of St. Martin's Press, 1997.
Goldstein, Norm, ed. The Associated Press Stylebook and Libel Manual. Updated edition. Reading, Mass., Addison-Wesley Publishing Company, Inc., 1992.

POLICY ON CHEATING: **Don't** – Studying together to understand the material is fine, in fact, it is encouraged. However, the work you turn in is to be your own. Copied work will receive a failing grade.

EXAMINATIONS – Approximately 60% of each exam will consist of multiple-choice and true-false questions. The other part of the exam will be based upon the homework exercises. On this latter part of the exam you are required to write formal essays. Make-Up Exams: If you miss one of the two exams before the final, you must take the make-up exam on Wednesday, April 22, 1998. The make-up/optional exam is comprehensive, i.e., it covers all of Chapters 1-3, 5-15. Optional Exam: Other students may take this exam as an additional exam. The optional exam **does NOT replace another exam** but is just averaged with your other work. Final Exam: The final exam will be comprehensive. You are expected to master the material covered in this course and to apply *all* the principles you learned at the end of the semester.

GRADES – Your grade will be determined by the quality of your understanding of the material. I use the criteria in the official *1997-98 General Catalog for California State University, Fresno*. <http://129.8.20.57/current/acadreg.html> (25 January 1998).

- A - Excellent. Performance of the student has demonstrated the highest level of competence, showing sustained superiority in meeting all stated course objectives and responsibilities and exhibiting a very high degree of intellectual initiative.
- B - Very Good. Performance of the student has demonstrated a high level of competence, showing sustained superiority in meeting all stated course objectives and responsibilities and exhibiting a high degree of intellectual initiative.
- C - Satisfactory. Performance of the student has demonstrated a satisfactory level of competence, showing an adequate level of understanding of course objectives, responsibilities, and comprehension of course intent.
- D - Unsatisfactory. Performance of the student has been unsatisfactory, showing inadequacy in meeting basic course objectives, responsibilities, and comprehension of course content.
- F - Failure. Fails to meet course objectives. Work at this level does not meet requirements for credit toward a degree.
- U - Failure Unauthorized Withdrawal. The symbol U indicates that an enrolled student did not complete course requirements and did not properly withdraw from the course. It is assigned when, in the opinion of the instructor, completed assignments or course activities, or both were insufficient to make normal evaluation of academic performance possible.
- I - Incomplete. Semester requirements at least two-thirds complete with work of passing grade.

COURSE GRADE – The relative importance of the components of this course are shown below. Your letter grade depends on your individual performance. For example, exceptionally good students (usually those earning above 90%) receive A's, competent students (usually those earning between 70 and 80%) receive C's, and failing students (usually those earning less than 60%) receive F's. (Yes, I also give B's and D's.) I will give incompletes only to students who strictly meet the university requirements for a grade of incomplete.

Attendance	see above
Homework/Exercises	1 part of total
Semester Exams	2 or 3 parts of total
Final Exam	2 parts of total

STUDENTS WITH DISABILITIES: Students with disabilities are responsible for identifying themselves to the university and the instructor so reasonable accommodation for learning and evaluation within the course can be made.

CONDUCT OF COURSES: The University policy regarding the conduct of courses, including cheating and plagiarism are located in the Catalog and Schedule of Courses. It is the responsibility of each student to understand these policies.

Jan.	26 – Chapter 1: What Is Economics? & Appendix: The Graphs Used in Economics
	28 – Chapter 1 & Appendix:
	30 – Chapter 2: The U.S. Economy: Myth and Reality & Appendix: Further Perils in the Interpretation of graphs
	2 – Chapter 3: Scarcity and Choice: <i>The Economic Problem</i>
	3 – LAST DAY TO DROP without a serious and compelling reason
	4 – Chapter 5: The Realm of Macroeconomics
	6 – Chapter 6: Unemployment and Inflation: The Twin Evils of Macroeconomics Appendix: How ...
	9 – Chapter 6 & Appendix:
	11 – Chapter 7: Income and Spending: The Powerful Consumer & Appendix: National Income Accounting
	13 – Chapter 7 & Appendix: – LAST DAY TO ADD A CLASS
	16 – Presidents' Day - No Classes -
	18 – EXAMINATION I: Chapters 1–3, 5–7
	20 – Chapter 8: Demand-Side Equilibrium: Unemployment or Inflation? & Appendix: Simple Algebra of Income Determination
	23 – Chapter 8 & Appendix:
	25 – Chapter 8 & Appendix:
	27 – Chapter 9: Changes on the Demand Side: Multiplier Analysis
Mar.	2 – Chapter 9:
	4 – Chapter 10: Supply-Side Equilibrium: Unemployment <i>and</i> Inflation?
	6 – Chapter 10:
	9 – Chapter 11: Managing Aggregate Demand: Fiscal Policy
	11 – Chapter 11:
	13 – Chapter 12: Money and the Banking System
	16 – Chapter 12:
	18 – Chapter 13: Monetary Policy and the National Economy
	20 – Chapter 13:
	23 – Chapter 14: The Debate over Monetary Policy
	25 – Chapter 14:
	27 – Chapter 15: Budget Deficits and the National Debt: Fact and Fiction
	30 – Chapter 15:
Apr.	1 – EXAMINATION II: Chapters 8–15
	3 – Chapter 16: The Trade-Off between Inflation and Unemployment
Apr.	6 – Apr. 10 - Spring Recess - NO CLASSES
	13 – Chapter 16:
	15 – Chapter 17: International Trade and Comparative Advantage
	17 – Chapter 17:
	LAST DAY TO DROP FOR A SERIOUS AND COMPELLING REASON
	20 – Chapter 17:
	22 – MAKE-UP/OPTIONAL EXAM: CHS. 1–3, 5–14
	24 – Chapter 18: The International Monetary System: Order or Disorder?
	27 – Chapter 18:
	29 – Chapter 19: Macroeconomics in a World Economy
May	1 – Chapter 19:
	4 – Chapter 19:
	6 – Chapter 20: Productivity and Growth in the Wealth of Nations
	8 – Chapter 20:

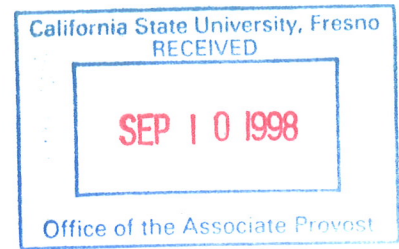
11 – Chapter 21: Comparative Economic Systems: What Are the Choices?
13 – Chapter 21: **LAST DAY OF CLASS**
May 15 & 16 – **Final exam preparation and faculty consultation days**

FINAL EXAMINATION: CHS. 1-3, 5-21

€ ¸ May 20, 1998, Wednesday, 1:15-3:15 [for MWF 12-1 class]

ESCAPE CLAUSE – Professor Shaw reserves the right to make changes to this syllabus as may be necessary. Each student is personally responsible for keeping current on assignments and/or syllabus changes.






DEPARTMENT OF ECONOMICS
California State University, Fresno

MEMORANDUM

5245 North Backer
Fresno CA 93740-8001
(209) 278-3916
FAX (209) 278-7234

September 8, 1998

TO: Dr. Pedro Amaral, Chair, and
Members General Education Subcommittee

FROM: Dr. J.M. Cypher, Chair, Economics 

SUBJECT: Area D Course Proposal: Economics 50

In response to your memorandum dated June 5, 1998 I offer the following:

1. You state: "The subcommittee will not certify the course if it contains a Prerequisite requirement of Econ. 40." Yet, when contacted by telephone late on August 24, 1998, you clearly and unequivocally stated to me that the subcommittee would be interested in learning of the reasons for the prerequisite, and that our request to maintain the given structure of our course sequence would be given a fair hearing – including a willingness to consider a prerequisite in this instance.

Our reason for the prerequisite is straightforward: Our senior faculty, several of whom are in their fourth decade of service to this university, have found that there are several important fundamentals to economic reasoning and analysis that must be understood in order to achieve maximum benefit from a university course in macroeconomics

1.
 - A. The concept of demand,
 - B. The "law" of demand
 - C. The concept of supply
 - D. The "law" of supply
2. The dynamic determination of equilibrium and the price response to either excess demand or excess supply

3. Forces and factors which lead to shifts in either demand or supply relationships
4. Production possibilities relationships and the application of these relationships to issues of scarcity

Adequate presentation of the above concepts would entail from one to two weeks of instruction (depending on the individual instructor and their form of pedagogical presentation). These concepts have applicability in macroeconomics primarily in the following areas: (1) neoclassical/supply-side modeling of the economy which highlights aggregate demand and supply responses given changes in average price levels (inflation). (2) The demand and supply of foreign currencies and the determination of international (currency) exchange rates. (3) Issues of public choice and scarcity in relation to government taxation and expenditures (Public finance is an integral component of macroeconomics.)

Thus the Department of Economics has opted for a prerequisite of Economics 40 because vast experience has demonstrated that the subject matter of Economics 50 can be taught most **efficiently** with Ec. 40 as background. We believe that our initiative is consistent with the goal of teaching excellence which has become a prominent focus of this university.

We therefore would hope that your subcommittee will revisit the issue of a prerequisite taking fully into account the Economics Department's established prerequisite of Ec. 40.

2. You also state: "The subcommittee notes that Ec. 40 is in the same area, therefore, from the standpoint of GE, Ec. 50 is redundant."

On a local level, the above statement must be, and is, true. However, it happens to be the case that in many universities throughout California (including other CSU campuses) and elsewhere (both throughout the U.S. and in universities worldwide) Ec. 50, or its equivalent, is taught prior to 40, or students are free to take either. Thus many of our transfer students come to CSU,F with the need to have their Ec. 50 accepted as a G.E. course. There is no question that Ec. 50, covering the basic structure of the modern macroeconomy, is a "general education" course. Consequently, to accommodate transfer students who have taken a very legitimate and important G.E. course, we strongly urge the subcommittee to view the question of "redundancy" in a broader, and more concretely applicable, context.

3. You refer on the attached checklist to item 9:

Please refer to the headings in the common content of the "General Course Syllabus."

The following subheadings apply to numerals I – XIX, respectively, and should allow the subcommittee to better understand the contents of the course:

I. The Macroeconomic Structure of the U.S. Economy

What America Produces

How much Output • The Mix of Output

How America Produces

Factors of Production • Changing Industry Structure •
Business Organization

For Whom America Produces

Income Distribution

**II. Major Themes in Macroeconomics: Business Cycles,
Unemployment, Inflation**

a. Stable or Unstable?

Classical Theory • The Keynesian Revolution

Historical Cycles

The Great Depression • World War II • The Postwar
Years •

The 1980s • The 1990s

Modern Views of Macro Instability

Aggregate Demand • Aggregate Supply • Macro Equilibrium •
Macro Failures

Competing Theories

Demand-Side Theories • Supply-Side Theories • Eclectic
Explanations • Short – vs. Long-Run Aggregate Supply

b. The Labor Force

Production Possibilities • Unemployment

Measuring Unemployment

The Unemployment Rate • The Duration of
Unemployment • Discouraged Workers •

Underemployment • The Phantom Unemployed

The Human Costs

Defining Full Employment

Seasonal Unemployment • Frictional Unemployment •

Structural Unemployment • Cyclical Unemployment • The
Full-Employment Goal

The Historical Record

- c. What is Inflation?
 - The Average Price • Relative Prices vs. the Price Level
 - Redistributive Effects of Inflation
 - Price Effects • Income Effects • Wealth Effects •
 - Redistributions • Social Tensions • Despair • Money Illusion
 - Macro Consequences
 - Uncertainty • Shortened Time Horizons • Speculation •
 - Bracket Creep
 - Measuring Inflation
 - Consumer Price Index • Producer Price Indexes • The GDP Deflator
 - The Goal: Price Stability
 - A Numerical Goal • Quality Changes
 - The Historical Record
 - Protective Mechanisms
 - COLAs • ARMs • Universal Indexing

III. National Income Accounting

- Measures of Output
 - Gross Domestic Product • Measurement Problems •
 - Value Added • Real vs. Nominal GDP • Net Domestic Product
- The Uses of Output
 - Consumption • Investment • Government Spending •
 - Net Exports
- Measures of Income
 - National Income • Personal Income • Disposable Income
- The Flow of Income
 - Income and Expenditure

IV. The Consumption Function and the Role of Consumption

- Macro Equilibrium
 - The Desired Adjustment • Components of Aggregate Demand • Focus on Spending
- Consumption
 - Income and Consumption • Consumption vs. Saving •
 - The Marginal Propensity to Consume • The Marginal Propensity to Save
- The Consumption Function
 - Autonomous Consumption • Income-Dependent Consumption • Consumer Behavior • The Aggregate Function • Shifts of the Consumption Function

V. Savings and Investment

Leakages and Injections

Consumer Saving • Imports and Taxes • Business Saving • Disposable vs. total Income • Injections into the Circular Flow

Investment

Expectations • Interest Rates • Technology and Innovation • Autonomous Investment

VI. Macroeconomic Equilibrium

Aggregate Expenditures

Total Spending at Full Employment

Potential Problems

Recessionary Gap • Inflationary Gap

Adjustment to a Recessionary Gap

Focus on the Private Sector • The Initial Imbalance • Desired Investment vs. Desired Saving • Desired vs. Actual Investment

VII. Imports, Exports, Equilibrium in an Open Economy

International Trade

Imports as Leakage • Exports as Injections

Trade Imbalances

Macro Effects • Foreign Perspectives • A Policy Constraint

International Finance

Capital Inflows • capital Outflows

Capital Imbalances

Macro Effects • Exchange Rates • Capital Flows – Another Policy Constraint

VIII. Government Spending and Fiscal Policy

Taxes and Spending

Government Revenue • Government Expenditure • Fiscal Policy

Fiscal Stimulus

The Fiscal Target • More Government Spending • Tax Cuts • Increased Transfers

Fiscal Restraint

The Fiscal Target • Budget Cuts • Tax Hikes • Reduced Transfers

Fiscal Guidelines

A Primer: Simple Rules • A Warning: Crowding Out

IX. Multiplier Effects

The Multiplier Process

The Multiplier

Equilibrium GDP

Equilibrium GDP vs. Full-Employment GDP

Adjustment to an Inflationary Gap

Inventory Depletion • Multiplier Effects • Equilibrium

An AS/AD Recap

Price vs. Output Effects • The Real GDP Gap •

Inflation-Unemployment Tradeoffs

X. Government Debt and Deficits, Causes and Consequences

Budget Effects of Fiscal Policy

Budget Surpluses and Deficits • Discretionary vs.

Automatic Spending • Cyclical Deficits • Structural Deficits

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