

**ECON 212-005**  
**Macroeconomic Principles**  
**(Spring 2012)**  
**Franklin P. Perdue School of Business**  
**Salisbury University**

**I. Instructor Information**

Instructor: Dr. Ying Wu, Professor of Economics  
Telephone: 410-543-6343  
Email: yxwu@salisbury.edu  
Office Hour: Monday & Wednesday: 10:30am-11:30am  
Office Location: Perdue Hall 203

**II. Lecture**

Lecture Room: Perdue Hall 252  
Lecture Hour: Tuesday & Thursday: 12:30pm-1:45pm

**III. Required Text and Additional Sources:**

Mankiw, N. Gregory, *Principles of Macroeconomics*, sixth edition (online – digital textbook, used together with Aplia), South-Western, Cengage Learning, 2012.

To register for your Aplia account, refer to the attached page “How to access your Aplia course” (see page 5 of the syllabus).

**IV. Course Description:**

The course is intended to enable students to think effectively about the contemporary macroeconomic problems such as inflation (deflation), unemployment, and trade deficits. The issues to be covered include measurement of overall income and prices, the long-run growth of real economy, saving and investment, monetary system, the long-run behavior of the price level and inflation rate, open-economy macroeconomics, short-run economic fluctuations, and the effects of monetary and fiscal policies.

**V. Course Evaluation:**

Student performance will be evaluated on homework, three quizzes, and three exams. There is no make-up test. The weights of each of these components are as follows:

Homework	100pts	25%
Exam 1	100 pts	25%
Exam 2	100 pts	25%
Final exam (comprehensive)	100 pts	25%
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TOTAL	400 pts	100%

Dividing the total actual points earned by the total points possible determines a student's 400-points based course grade, and the corresponding letter grade will be assigned as follows:

A:	90-100%	( $\geq$ 360 pts).
B:	80-89%	(320-359 pts).
C:	70-79%	(280-319 pts).
D:	60-69%	(240-279 pts).
F:	0-59%	(<239 pts).

## VI. Class-Conduct Expectations for Students in Courses

1. Academic honesty and integrity are expected of all students. Behavior such as (but not limited to) plagiarism, cheating or fraud will not be tolerated. In accordance with the Salisbury University Student Handbook, violations may result in University imposed sanctions.
2. Students are expected to arrive on time, regularly attend lectures, and remain seated during class hours. In principle, students are not permitted to leave the room for breaks of any kind during classes or exams.
3. Students must turn off cell phones! Students are not permitted to have cell phones out or turned-on (even if set on vibrate). Text messaging is not permitted during lecture.
4. Students are required to have a pencil and non-programmable calculator for exams and quizzes. The use of graphing calculators or cell phones is not permitted during quizzes or exams. Students may not share pencils, pens, calculators, or anything else during quizzes or exams.

## VII. Course Content

### Topic 1                      Basic Data of Macroeconomics

- 1.1              Measuring economic activities: gross domestic product (GDP)
- 1.2              Measuring the cost of living: consumer price index (CPI)

Readings:      Chapters 10 and 11

**Learning Objectives:** *Understand why an economy's total income equals its total expenditure, how gross domestic product (GDP) is defined and calculated, the breakdown of GDP into its four major components, the distinction between real GDP and nominal GDP, whether GDP is a good measure of economic well-being, how the consumer price index (CPI) is constructed, why the CPI is an imperfect measure of the cost of living, how to compare the CPI and the GDP deflator as measures of the overall price level, how to use a price index to compare dollar figures from different times, and the distinction between real and nominal interest rates.*

## **Topic 2**                      **Long-Run Economic Growth**

- 2.1            The facts and determinants of growth
- 2.2            Public policies facilitating growth

Readings:      Chapter 12

**Learning Objectives:** *Understand how much economic growth differs around the world, why productivity is the key determinant of a country's standard of living, the factors that determine a country's productivity, and how a country's policies influence its productivity growth.*

## **Topic 3**                      **The Loanable Funds Market**

- 3.1            Financial markets and financial intermediaries
- 3.2            Coordinating saving and investment
- 3.3            Government policies on the loanable funds

Readings:      Chapter 13

**Learning Objectives:** *Understand how the financial system is related to key macroeconomic variables, the model of the supply and demand for loanable funds in financial system, how to use the loanable-funds model to analyze various government policies, and how government budget deficits affect the U.S. economy.*

**Exam 1:            March 1 (Thursday), 2012**

## **Topic 4**                      **Unemployment**

- 4.1            Measuring unemployment
- 4.2            Natural rate of unemployment and cyclical unemployment
- 4.3            Sources of natural unemployment

Readings:      Chapter 15

**Learning Objectives:** *Understand the data used to measure the amount of unemployment, how unemployment can result from minimum-wage laws, how unemployment can arise from bargaining between firms and unions, how unemployment results when firms choose to pay efficiency wages, and the distinctions between structural unemployment and frictional unemployment, and between natural unemployment and cyclical unemployment.*

## **Topic 5**                      **The Monetary System**

- 5.1            Functions of money
- 5.2            Central banking: The Federal Reserve System and monetary policy
- 5.3            Multiple money creation process
- 5.4            The quantity theory of money

Readings:      Chapters 16 and 17

**Learning Objectives:** Understand what money is and what functions money has in the economy, what the Federal Reserve System is, what tools the Federal Reserve uses to alter the supply of money, how the banking system helps determine the supply of money, and why inflation results from rapid growth in the money supply (the quantity theory of money).

**Topic 6**                      **Open-Economy Macroeconomics**

- 6.1            Net exports and net capital outflow
- 6.2            Saving, investment, and net capital outflow
- 6.3            Exchange rates and purchasing power parity

Readings:      Chapter 18

**Learning Objectives:** Understand how net exports measure the international flow of goods and services, how net capital outflow measures the international flow of capital, why net exports must always equal net capital outflow, how saving, domestic investment, and net capital outflow are related, and the meanings of nominal and real exchange rates and the purchasing-power parity

**Exam 2:            April 3 (Tuesday), 2012**

**Topic 7**                      **Aggregate Demand and Aggregate Supply**

- 7.1            Aggregate demand curve
- 7.2            Aggregate supply curve
- 7.3            Short-run economic fluctuations

Readings:      Chapter 20

**Learning Objectives:** Understand three key facts about short-run economic fluctuations, how the economy in the short run differs from the economy in the long run, how to use the model of aggregate demand and aggregate supply to explain economic fluctuations, and how shifts in either aggregate demand or aggregate supply can cause booms and recessions.

**Topic 8**                      **Stabilization Policies**

- 8.1            Influences of monetary policy on aggregate demand
- 8.2            Influences of fiscal policy on aggregate demand
- 8.3            Evaluating stabilization policies

Readings:      Chapter 21

**Learning Objectives:** Understand the theory of liquidity preference as a short-run theory of the interest rate, how monetary policy affects interest rates and aggregate demand, how fiscal policy affects interest rates and aggregate demand, and the debate over whether policymakers should try to stabilize the economy.

**Final exam:            May 16, 2012 (Wednesday, 10:45am-1:15pm)**