

# *Asbury College*

## Macroeconomics

### Student Guide

***ACHIEVE***

*Degree Completion Program*





knowledge elements  
educational products

(KEEP)

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## **COURSE DESCRIPTION**

An introductory course in macroeconomic theory with a primary emphasis placed upon the study of economic aggregates. Topics include supply and demand, the market process, the economic role of government, measuring the nation's economic performance, unemployment, economic fluctuations, fiscal policy, money and the banking system, economic growth, international trade and foreign exchange markets.

## **LEARNING OUTCOMES**

The student will be able to demonstrate the following skills knowledge base after completion of the course:

1. Define the meaning of economics and understand why economics is an important field of study.
2. Develop an economic way of thinking.
3. Evaluate the gains (losses) of trade.
4. Understand the role of private ownership and property rights in an economic system.
5. Apply the concept of supply and demand to financial and economic decision making.
6. Understand the significance of profits in the macroeconomy and identify determinants of market prices.
7. Understand the impact of taxation in the economy.
8. Develop a framework for government's role in the economy.
9. Critically evaluate the issue of income redistribution.
10. Understand the importance of Gross Domestic Product as a key economic indicator.
11. Define business cycles and describe the United States' experience of business cycles.
12. Understand why economies experience unemployment and inflation.
13. Apply general equilibrium models to changing conditions in the market.
14. Evaluate factors influencing economic growth and the ability of governments to influence economic growth.
15. Describe the evolution of modern macroeconomics.
16. Understand the processes and outcomes of monetary policy and fiscal policy.
17. Understand the role of the banking system in the economy.

## TEXTS AND MATERIALS

### Text:

Gwartney, James D., Richard L. Stroup, Russell S. Sobel, and David A. Macpherson. *Economics: Private and Public Choice*. Eleventh Edition. Mason, OH: South-Western, a division of Thompson Learning, 2006. ISBN 0-324-20564-3.

Course Pack (2008). *Macroeconomics*. Franklin, TN: knowledge elements, inc. Reference Number ECON21-01.

### Bibliography (purchase not required):

The economic literature is vast. However, for the student interested in further reading in economics, you may find the following short list of interest. Included in the listing are some historical readings, some theoretical readings, lighter yet profound readings, and some very contemporary readings. Enjoy!

Friedman, Thomas L. *The Lexus and the Olive Tree*. Anchor Books, 2000.

Meier, Gerald M., and James E. Rauch. *Leading Issues in Economic Development*. Oxford University Press, 2004.

Morgan, April, Lucinda Joy Peach, and Colette Mazzucelli. *Ethics and Global Politics: The Active Learning Sourcebook*. Kumarian Press, Inc., 2004.

Roberts, Russell. *The Choice: A Fable of Free Trade and Protectionism*. Prentice Hall, 2000.

Yergin, Daniel, and Joseph Stanislaw. *The Commanding Heights: The Battle for the World Economy*. Simon & Schuster, 2002.

## STUDENT EVALUATION

Students in this course will be evaluated using the College's grading system. You should refer to the Student Handbook or the College Catalog for further details on the grading system. The criteria for determining that grade will be as follows:

1. (20%) Completion of the assigned exercises and readings (as set forth in the Student Assignments pages).
2. (20%) Participation in class discussion and group activities. The criteria will be the quantity and quality of the contribution to the group.
3. (50%) Final Paper— Refer to the next page for instructions on how to prepare the Final Paper. It must be turned in at the beginning of the first session of the next course or within seven (7) days following the last class session of this course, whichever occurs first.
4. (10%) Quality of comments, insight and extent of learning as reflected in the student's journal. The student is required to write in the journal at the close of each session and may add to it at other times such as after reading an assignment or completing an exercise. The journal is to be handed in with the Final Paper.

**Attendance:** Any class missed must be made up. The student is obligated to contact the instructor to make suitable arrangements. Unexcused absences and absences not made up will affect the student's final grade.

**Late Work or Work Not Handed in:** Any written exercise turned in after 6 p.m. on the due date or the Final Paper handed in after 6 p.m. of the first class session of the next course will result in a reduction in the grade for that item. Any assigned item not turned in will result in an "F" for that item and a reduction in the grade for the course.

The final grade will be available to the student approximately seven days after the Final Paper is submitted.

## FINAL PAPER

Write a paper on the following items. Any material may be used in the preparation, including talking with other students; but the work handed in must be in the words of the student whose name appears on the paper. This paper should take approximately four hours to complete.

The Final Paper is to be submitted in typewritten, double-spaced form on one side only of 8½" by 11" white paper. A cover page should include the student's name, course name, instructor's name and the date submitted.

Your score will be based upon your ability to demonstrate your understanding of significant economic concepts and your ability to explain why each concept is important.

### 1. Required Questions:

- a. What is the single most important economic concept you learned in this course and what makes it so important?
- b. Drawing upon your reading of Special Topic #1 ("Government Spending and Taxation") and the article titled "Consumption Taxes: Macroeconomic Effects and Policy Issues," develop a short narrative describing your view of the feasibility of the implementation of a consumption tax to replace an income tax. The objective is to apply macroeconomic principles discussed in this class.

### 2. Complete any three of the following:

- a. Explain the concepts of supply and demand and how they function in the market process.
- b. Explain how the banking system creates money.
- c. Describe the Gross Domestic Product and explain how it is used in developing national policies.
- d. Describe five or six factors that will contribute to the efficiency of an economic organization and thus contribute to an increase in the standard of living of a nation.

## **COURSE OVERVIEW**

This accelerated course is one of a two-course sequence of Macroeconomics and Microeconomics designed to fulfill the economics component of a major in a business area or as an introductory course for an economics major. The emphasis is on understanding the fundamental concepts of making managerial decisions using economics and then applying them to managerial situations.

The text was selected because it offers practical, real world examples and applications to keep the material interesting and relevant. This course does not assume that you have had any economics courses at the college level and, even if you have taken macro- and microeconomics, this might have been some time ago.

Those of you who are employed will have opportunities to apply what you are learning about economics and decision making right away in your work. Even those of you without regular employment will be able to apply many of the concepts to your personal lives. Throughout the course you should ask yourself how a concept being discussed will apply to what you do for a living. If you cannot apply it, then you probably do not understand the concept.

The Final Paper is intended to be a combination of testing for understanding of concepts and for your ability to apply those concepts to actual situations.

You should accept the fact that economics can be understood and that it is important to you. This can be one of the most enjoyable courses you will complete during the program if you ignore the popular myth that economics is difficult and boring.

**LOGISTICS CHART**

Hour	Week 1	Week 2	Week 3	Week 4	Week 5
1	Course Introduction The Economic Approach	Difficult Cases for the market and the Role of Government	Economic Fluctuations, Unemployment and Inflation	Keynes and the Evolution of Money and the Banking System	Modern Macroeconomics and Monetary Policy
2	Some Tools of the Economist  Break	The Economics of Collective Decision Making  Break	Introduction to Basic Macroeconomics Markets	Fiscal Policy	Stabilization Policy, Output and Employment  Break
3	Supply, Demand and the Market Process	Taking the Nation's Economic Pulse  Government Spending and Taxation	Break  Aggregate Demand and Supply	Break  Money and the Banking System	Economic Growth and the Wealth of Nations
4	Supply and Demand: Applications and Extensions  Wrap-up and Looking Ahead  Journal Entry	(continued) Consumption Taxes: Macroeconomic Effects and Policy Issues  Wrap-up and Looking Ahead  Journal Entry	(continued) The Internet: How Is It Changing the Economy?  Wrap-up and Looking Ahead  Journal Entry	(continued) The Economics of Social Security  Wrap-up and Looking Ahead  Journal Entry	The Federal Budget and the National Debt  Wrap-up and Looking Ahead  Journal Entry  Course Evaluation

## STUDENT ASSIGNMENTS

### Week One

1. Read the Course Overview in the Student Guide.
2. Read Chapters 1-4 in Gwartney.
3. Complete written responses to the following Critical Analysis Questions found at the end of the assigned chapters in the text:

Chapter 1: #1, 3, 6 (p. 21)  
Chapter 2: #1, 7, 10 (p. 51)  
Chapter 3: #2, 3, 7 (p. 82)  
Chapter 4: #2, 5, 10 (pp. 105-106)

### Week Two

1. Read Chapters 5-7 in Gwartney.
2. Complete written responses to the following Critical Analysis Questions found at the end of the assigned chapters in the text:

Chapter 5: #2, 3, 12 (pp. 122-123)  
Chapter 6: #3, 5, 7 (p. 144)  
Chapter 7: #2, 4, 13 (pp. 166-167)

3. Read Special Topic #1, "Government Spending and Taxation" (pp. 604-614). Write a short essay (no more than one double-spaced typewritten page) reflecting upon the following question: How does this article support or change your view regarding the level of taxation in the United States? Although written responses are not required, be prepared to answer and discuss the Critical Analysis Questions at the end of the topic.
4. Read "Consumption Taxes: Macroeconomic Effects and Policy Issues" in the Course Pack. Research the topic of "consumption taxes" online to see what other scholars are saying about the topic. Write a short essay (no more than one double-spaced typewritten page) of one author's point of view obtained from your research. Cite the article source, title and author at the end of your essay.

### Week Three

1. Read Chapters 8-10 in Gwartney.
2. Complete written responses to the following Critical Analysis Questions found at the end of the assigned chapters in the text:

Chapter 8: #1, 4, 9 (pp. 186-187)  
Chapter 9: #1, 2, 3 (p. 212)  
Chapter 10: #5, 7, 10 (p. 235)

3. Read Special Topic #2, "The Internet: How Is It Changing the Economy?" (pp. 615-622). Write a one-page (typewritten, double-spaced) essay on how the Internet

has changed your daily life. Although written answers are not required, be prepared to answer and discuss the Critical Analysis Questions at the end of the topic.

#### **Week Four**

1. Read Chapters 11-13 in Gwartney.
2. Complete written responses to the following Critical Analysis Questions found at the end of the assigned chapters in the text:

Chapter 11: #6, 9, 13 (p. 255)

Chapter 12: #1, 5, 11 (pp. 275-276)

Chapter 13: #4, 5, 9 (pp. 299-300)

3. Read Special Topic #3, "The Economics of Social Security" (pp. 623-633). Prepare a one-page (typewritten, double-spaced) essay reflecting upon the following topic: What are the advantages and disadvantages of privatization of Social Security? Although written answers are not required, be prepared to answer and discuss the Critical Analysis Questions at the end of the topic.

#### **Week Five**

1. Read Chapters 14-16 in Gwartney.
2. Complete written responses to the following Critical Analysis Questions found at the end of the assigned chapters in the text:

Chapter 14: #1, 8, 9 (p. 325)

Chapter 15: #1, 8, 10 (pp. 344-345)

Chapter 16: #1, 2, 4 (p. 364)

3. Read Special Topic #5, "The Federal Budget and the National Debt" (pp. 644-653). Look for current data on the federal budget and the national debt and bring what you find to class. The following web sites will be helpful to your search: [publicdebt.treas.gov](http://publicdebt.treas.gov) and [federalbudget.com](http://federalbudget.com). Although written answers are not required, be prepared to answer and discuss the Critical Analysis Questions at the end of the topic.