

Principles of Economics II (ECO 202)

University of Kentucky

Spring 2018

Instructor: Xiaozhou Ding	Time: MWF 8:00-8:50 AM
Email: xiaozhou.ding@uky.edu	Place: Gatton 191

Course Pages

1. Canvas site
2. <http://xiaozhouding.weebly.com/teaching.html>

Office Hours: Gatton 245B, Monday & Wednesday 3:30 PM-5 PM, or by appointment. For any questions, please start the subject line of your email with: 202-your name-subject.

Required Textbook

Hubbard, R. Glenn and Anthony Patrick O'Brien. *Macroeconomics. 6th Edition.*

Reading assignments are listed in the syllabus. The Hubbard and O'Brien text is engaging, well-written, up-to-date, and provides a wonderful foundation for our course.

Prerequisites

Introductory Microeconomics (ECO 201) or equivalent.

Course Description

The course provides a study of how society's needs are satisfied with the limited resources available. Topics include contemporary issues such as inflation, unemployment, economic growth, international dependencies, and how public policy deals with them.

Extended Course Description

Principles of Macroeconomics will introduce you to the major economic issues of growth, business cycles, unemployment, and inflation that form the core of macroeconomics. Building on the basis principles of economics, we will develop a framework for understanding the role of monetary and fiscal policies and how they affect the economy.

Intended Student Learning Outcomes

We have the following twelve student learning outcomes for the course:

1. Students will be able to summarize the current macroeconomic condition of the U.S. economy, along with key macroeconomic features of other countries around the world.
2. Students will be able to compare and contrast nominal and real GDP, nominal and real interest rates, and the three types of unemployment (frictional, structural, and cyclical). Students will be able to explain the so-called natural rate of unemployment (the full-employment rate of unemployment) and explain why it is greater than zero.
3. Students will be able to explain the factors that affect the four components of total spending in the economy (consumption, investment, government purchases, and net exports).
4. Students will be able to use the aggregate expenditure model to explain and predict the effect of changes in total spending on business inventories, real GDP, and total employment.

5. Students will be able to use the aggregate demand and aggregate supply model to explain and predict the effect of aggregate demand and aggregate supply shocks on real GDP, the unemployment rate, and inflation.
6. Students will be able to use the quantity theory of money to explain the causes of inflation in the long run and will be able to describe the government budget constraint showing the three ways governments can pay for government spending.
7. Students will be able to compare and contrast monetary policy and fiscal policy, and explain the effect of policy lags on the timing and effectiveness of both.
8. Students will be able to describe the goals of the Federal Reserve System and explain Federal Open Market Committee press releases.
9. Students will be able to explain a fractional reserve banking system, bank runs and bank panics, and why during the 2007-2009 recession a bank run occurred on investment banks.
10. Students will be able to distinguish between the federal budget deficit and the national debt, and will be able to explain the effect of the business cycle on the budget deficit and national debt.
11. Students will be able to use the demand and supply model for U.S. dollars to explain foreign exchange rate movements in the short run, and apply purchasing power parity theory to explain foreign exchange rates movements in the long run.
12. Students will be able to explain the effect of tightening or easing monetary policy on exchange rates and its impact on the nations level of exports and imports.

Teaching Philosophy and Methods

I love teaching and answering questions from students. This class is about macroeconomics and class time will be a mixture of lecture and active learning. Active learning will be used to involve you in an active discussion of the macroeconomic principles and ideas. In class, you will regularly work together with your classmates. I will ask you to compare answers to a problem or work together on a question with your neighbor or neighbors. Working together in class will serve as a nice break from lecture and will increase the amount of macroeconomics that you learn.

Grading Policy

The weight for the course will be as follows:

- First Midterm Exam, 25%
- Second Midterm Exam, 30%
- Final Exam, 35%
- Homework, 10%

I will use the following tentative scale to assign final course grades: 90-100 A, 80-89, B, 70-79 C, 60-69 D, 59 and below E.

Exams

There are three exams, with each worth 100 points. The final exam is **comprehensive**. The exams cover material from class, the text, and any additional assigned readings. Exams will consist of multiple-choice and essay questions. **Any student missing an exam due to an excused absence must inform me before the exam.** If you miss either exam I or exam

If you do not receive an excused absence before the exam, your exam grade will be a zero. For those with excused absences, the make-up exam will be given soon after the missed exam at a common time reasonably convenient to all parties.

MyEconLab On-Line Homework

There will be twelve on-line homework using MyEconLab with each homework worth 1 point. The lowest two homework grades will be dropped, making the homework worth a total of 10 points.

Each MyEconLab homework will consist of a varying quantity of multiple-choice questions and you will have two attempts to answer each question correctly. You will have several days to complete each homework. The homework will cover material presented in class, but also may cover material in the text not covered in class and material in outside articles, online videos, or online data searches. I will let you know during the semester what material each homework covers.

Any student missing a MyEconLab homework due to an excused absence should inform me immediately. If you miss a homework and do not receive an excused absence, you receive for that homework a zero.

Class Policies:

- **Being Courteous**
Be on time and if possible do not leave until class is dismissed. Late arrivals and early departures disrupt your fellow students and me. If you have a long walk to get to class, let me know in advance. If nature calls so loudly that you must answer, please leave and return to the classroom quietly.
- **Cell Phones and Laptops**
I expect professional behavior. Silence your cell phones. No texting during class. You can use your laptop to take notes. You cannot use your laptop for instant messaging, e-mailing, playing games, checking sports scores, shopping, and the like during class.
- **Excused Absences**
The University Senate Rule on Excused Absences states that a student is entitled to an excused absence for the following reasons: serious illness; illness or death of family member; University-related trips; and major religious holidays. In each case, appropriate verification may be required. Students missing assignments due to an excused absence bear the responsibility of informing me about their excused absence within one week following the period of the excused absence (except where prior notification is required). I will regularly confirm the authenticity of documentation used to verify excused absences.
- **Grievance Procedure**
Anyone feeling that a dispute exists after the grading of an exam may submit a written grievance. The grievance should identify the item in dispute and provide arguments supporting the student's position. Grievances must be submitted within two class periods following the return of the exam/assignments.

LEAP Tutorial Lab

The Gatton College of Business and Economics provides free peer tutoring to students in ECO202 (and in ECO101, ECO201, ECO 391, ACC201, & ACC202) in the Lab for Economic and Accounting Proficiency (LEAP). A handout with the details and times of LEAP will be posted on Canvas.

Cheating

Academic integrity is valued by the University of Kentucky and its vast majority of students.

University policy will be followed for any student caught cheating or plagiarizing and the penalty could include an E in the course and possible suspension or dismissal from UK.

Students with Disabilities or Accommodation Requests

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours or after class. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (DRC) at least two weeks before the first exam. The DRC coordinates campus disability services available to students with disabilities. It is located on the corner of Rose Street and Huguelet drive in the Multidisciplinary Science Building, Suite 407. You can reach them via phone at (859) 257-2754 and via email at drc@uky.edu. Their web address is <http://www.uky.edu/StudentAffairs/DisabilityResourceCenter/>.

Tentative Course Outline

- Week 1: Introduction and Overview (Chapter 1), Foundations and Models (Chapter 1)
- Week 2: GDP: Measuring Total Production and Income (Chapter 8)
- Week 3: Inflation (Chapter 9)
- Week 4: Unemployment (Chapter 9)
- Week 5: Economic Growth, the Financial System, and Business Cycles (Chapter 10)
- Week 6: Long-Run Economic Growth: Sources and Policies (Chapter 11)
- Week 7: **First Midterm Exam** and review.
- Week 7: Aggregate Expenditure and Output in the Short Run (Chapter 12)
- Week 8: Aggregate Demand and Aggregate Supply in the Short Run (Chapter 13)
- Week 9: Money, Banks, and the Federal Reserve System (Chapter 14)
- Week 10: Spring break.
- Week 11: Fiscal Policy (Chapter 16)
- Week 12: Monetary Policy (Chapter 16)
- Week 13: **Second Midterm Exam** and review.
- Week 13: Macroeconomics in an Open Economy (Chapter 18)
- Week 14: Gains from International Trade (Chapter 7)
- Week 15: The International Financial System (Chapter 19)
- Week 16: Review Week
- Week 17: **Final Exam** (cumulative and scheduled by the registrar).