

## ECONOMICS 201 COURSE GUIDE

Principles of Macroeconomics

*Text: Principles of Economics, N. Gregory Mankiw, 4<sup>th</sup> Edition*

Learning Objectives: To provide the students with an introduction to the basic macroeconomic principles; to enable students to appreciate the workings of real and money markets and the nature of equilibrium in each market; to emphasize the role of macroeconomic policies that affect internal and external deficits, inflation and growth of per capita income. Throughout the course a focus will be on ‘critical thinking’ to analyze macroeconomic problems.

Specific Learning Standards emphasized in this course include:

*Critical Thinking* – analyzes information; utilizes logic; recognizes patterns and forms conclusions; recognizes and evaluates assumptions, theses, and support of arguments.

*Research Skills* – applies scientific method to problem solving; synthesizes information into coherent whole.

*Global Awareness* – understands the global environment in which organizations operate.

Course Specifics: There is no prerequisite for this course. Students are, however, expected to know basic college algebra. Material in the course emphasizes graphical methods to illustrate concepts, and it is expected that the students are acquainted with simple two-dimensional graphs.

The following indicates the learning objectives in each chapter that should be given the most emphasis in lecture, problem assignments, and testing. Other learning objectives may be covered at the instructor’s discretion.

<i>Chp#</i>	<i>Chapter Title</i>	<i>Learning Objectives to be Emphasized</i>
1 & 2	Ten Principles of Economics & Thinking Like an Economist	<ul style="list-style-type: none"><li>• Understand what economics as a discipline deals with; what the main economic principles are.</li><li>• Understand the importance of thinking in terms of marginal analysis.</li><li>• Appreciate the concept of ‘Opportunity Cost’ and ‘Production Possibilities Frontier’.</li></ul>
3	Interdependence and the Gains from Trade	<ul style="list-style-type: none"><li>• Appreciate that gain from trade can accrue to all parties engaged in trade.</li><li>• Understand why countries gain from trade – ‘Absolute Advantage’ and ‘Comparative Advantage’ theories.</li><li>• Be able to determine the nature of specialization based on comparative advantage.</li></ul>
4	The Market Forces of Supply and Demand	<ul style="list-style-type: none"><li>• Understand the laws of demand and supply.</li><li>• Understand the reason for movement along the curves and for shifts of the curves.</li><li>• Be able to analyze the change in equilibrium when the non-price determinants of demand and supply change.</li></ul>
23	Measuring a Nation’s Income	<ul style="list-style-type: none"><li>• Be able to describe the simple circular flow of income with withdrawals and injections;</li><li>• Be able to distinguish between GDP, GNP and NNP;</li><li>• Understand the three methods of measuring National Income, and to detect changes in trends;</li><li>• Understand the problems associated with calculating,</li></ul>

		interpreting and comparing National Income statistics.
24	Measuring the Cost of Living	<ul style="list-style-type: none"> <li>• Be able to calculate the CPI and GDP deflator;</li> <li>• Understand the difference between these two measures and the advantages/disadvantages of each measure.</li> </ul>
26	Saving and Investment, and the Financial System	<ul style="list-style-type: none"> <li>• Understand the meaning and difference between Saving and Investment;</li> <li>• Understand why there is identity between Saving and Investment in a closed economy;</li> <li>• Understand and draw the 'demand' and 'supply' of loanable funds diagrams;</li> <li>• Be able to discuss the incentives to save and invest;</li> <li>• Be able to identify the distinction between private and government saving, budget deficits and surpluses.</li> </ul>
29	The Monetary System	<ul style="list-style-type: none"> <li>• Understand the weakness of the barter system and the role of money;</li> <li>• Be able to distinguish between the characteristics and functions of money;</li> <li>• Know the different forms of money in today's world and consider the advantages and disadvantages of each form.</li> </ul>
30	Money Growth and Inflation	<ul style="list-style-type: none"> <li>• Understand what is meant by inflation;</li> <li>• Be able to describe the causes and effects of inflation;</li> <li>• Be able to identify the tools to control inflation.</li> </ul>
31	Open Economy Macroeconomics: Basic Concepts	<ul style="list-style-type: none"> <li>• Understand the distinction between flows of goods and flows of capital;</li> <li>• Demonstrate an understanding of nominal and real exchange rates.</li> </ul>
33	Aggregate Demand and Aggregate Supply	<ul style="list-style-type: none"> <li>• Understand the reasons for short-term economic fluctuations;</li> <li>• Understand the notions of aggregate demand and aggregate supply and the economic explanations for their respective slopes;</li> <li>• Understand the reasons for shifts in aggregate demand and supply curves and the resulting economic fluctuations.</li> </ul>