

ST. JOHN'S UNIVERSITY
NEW YORK

THE PETER J. TOBIN COLLEGE OF BUSINESS

Department of Economics
Undergraduate Division

SYLLABUS

Principles of Economics I
ECO 1301, CRN 74785
Fall 2013
T, F, 5:00 – 6:25 pm, MAR139

Cameron M. Weber, Adjunct Professor
cameron_weber@hotmail.com (please use this email address)
website: cameroneconomics.com

Office Hours: T, F, 3:30-4:30 pm, Bent Hall 139 or by appointment

DEPARTMENT

Economics and Finance

COURSE NAME

Macroeconomics

COURSE NUMBER

ECO 1326

COURSE DESCRIPTION

General introduction to economic analysis: cause of economic growth, inflation, and recession. Analysis of the impact of government on the national economy via fiscal and monetary policies. A brief introduction to the international economy and the globalization of the world's economic systems.

CREDIT

3 Credits

OBJECTIVES OF THE COURSE

1. To provide the student with a thorough understanding of the nature and dimension of economic theory; the institutional environment of the national economy; an introductory view of the international economy and the globalization of the world's economic systems and the economic transition of other economic systems to market economics.
2. To help students develop a theoretical understanding of the main principles underlying various economic laws and phenomena.
3. To give the student an insight into some of the practical application of economics to business and daily life and to help them reach independent, well-considered judgments on important public policy issues.

RESOURCES AND READINGS

Main text (Recommended)

N. Gregory Mankiw, *Principles of Macroeconomics*, South-Western (Any edition is ok, however note the new 8th Edition has different Chapters for the material covered). Texts are available on-hold at the SJU library.

In addition, students should stay current on topical events in the economy by reading the *Economist* magazine, the *New York Times* (available for free on campus), the *Wall Street Journal* and/or the *Financial Times*.

Optional Texts

Henry Hazlitt, *Economics in One Lesson*, Random House (any edition) (also available <http://jim.com/econ/contents.html>)

Cameron M. Weber, *Economics for Everyone*, 2nd Edition (2010).

Supplemental Reading Material

Friedrich Hayek (1945). "The Use of Knowledge in Society."
<http://www.econlib.org/library/Essays/hykKnw1.html>

Anne O. Krueger (1974). "The Political Economy of the Rent-Seeking Society."
<http://cameroneconomics.com/kreuger%201974.pdf>

Additional References

David T. Beito (2000). *From Mutual Aid to the Welfare State*. Chapel Hill: The University of North Carolina Press.

Karl Marx and Frederick Engels (1848). *The Communist Manifesto*, available <http://www.marxists.org/archive/marx/works/1848/communist-manifesto/>.

Douglass North and Robert Paul Thomas (1973). *The Rise of the Western World: A New Economic History*, Cambridge University Press.

Charles P. Oman (1999). "Policy Competition for Foreign Direct Investment", OECD. <http://www.oecd.org/dataoecd/9/27/2089936.pdf>

Adam Smith (1776). *The Wealth of Nations*. (Available on-line through many sources.)

Thorstein Veblen ([1899] 2001). *The Theory of the Leisure Class*. New York: Random House Modern Library Edition. Originally published as *The Theory of the Leisure Class: An Economic Study of Institutions* by New York: Macmillan.

Youtube.com videos as supplementary materials

Charlie Chaplin “Factory Scene”

<http://www.youtube.com/watch?v=CYbsBcPDVQM>

Milton Friedman “On Greed” http://www.youtube.com/watch?v=RWsx1X8PV_A

“Quantitative Easing Explained” <http://www.youtube.com/watch?v=PTUY16CkS-k>

George Selgin “100 Years: Has the Fed Been a Failure?” <http://www.youtube.com/watch?v=yLynuQebyUM>

Doug French, “Inflation’s Winners and Losers” <http://www.youtube.com/watch?v=Gu9o0Eii0gI>

“Fear the Boom and Bust” <http://www.youtube.com/watch?v=d0nERTFo-Sk>

“Fight of the Century” <http://www.youtube.com/watch?v=GTQnarzmTOc>

“Deck the Halls with Macro Follies” <http://www.youtube.com/watch?v=7uKnd6IEiO0>

“Fiscal Cliff” <http://www.youtube.com/watch?v=eiaYmhQsBHc>

“10 Principles by Standup Economist” <http://www.youtube.com/watch?v=VVp8UGjECT4>

Robert Higgs “Regime Uncertainty Then and Now” <http://www.youtube.com/watch?v=f73izHRGI1A>

Websites as supplemental materials

<http://www.shadowstats.com/>

Mygovcost.org

<http://www.economicfreedom.org/>

The *Economist* “Big Mac Index”, <http://www.economist.com/content/big-mac-index>

COURSE REQUIREMENTS AND GRADING PROCEDURE

Class attendance and participation: 15%

Only three hours of missing class is acceptable, beyond that a medical, religious or family excuse is required. Medical or other evidence should be presented at Instructor's office hours, by email, or by appointment, preferably in advance. Attendance will be taken at the beginning of each class.

For the class participation grade students are encouraged to discuss issues based on the readings for each class period, topics on economics relating to current events in the news, and, to ask clarification for lecture ideas as they are being presented as need be (there are no irrelevant questions).

All discussions initiated by students will add to a student's grade for class participation. In order to get an "A" for this portion of the grading protocol a student must participate in class discussion.

Class Homework and Extra-Credit: 15%

Students will be asked to write a homework essay due October 8, 2013 (this essay on political philosophy as related to economics is already posted to Instructor's website). The Instructor will comment on the essay and give a grade up to the maximum 15 points (15% of the course grade), while returning the original to the student. The student has an option to address the Instructor's comments and to earn more points by returning a re-written essay (and including the original marked-up paper) by December 6, 2013. Only those homework assignments returned with the original Instructor comments will be eligible for extra-credit.

Exams: 45%

There will be two exams for the class, a midterm and a final. The midterm exam (October 15, 2013) counts for 15% of the class grade, the final exam (December 10, 2013) will count for 30% of the class grade and is cumulative, as is the discipline of economics. There will be no specific review sessions for exams so students are encouraged to ask questions (again part of class discussion) if they do not understand a concept as it is presented in class. Each exam will be True/False and Multiple Choice questions. The final exam will be 40 questions, and the midterm will be 25 questions. We will review the exams the class following each exam.

In-Class Quiz: 10%

There will be one in-class quiz based on the “law of supply and demand” and will ask the students to draw supply and demand curves representing differing economic scenarios as discussed in class. The quiz is on October 29, the last 45 minutes of class. Students will be given an option to choose one of three questions to answer for the quiz. We will review the potential quiz topics the class before the quiz.

Group Presentations: 15%

On the three days of class (11/22, 12/3 and 12/6/2013) before the final exam (12/10/13) student groups will present their group’s consensus opinion on two of the issues in Mankiw’s list of “Economists Agree”, available on Instructor’s website. Groups will present their consensus agreement or disagreement with Mankiw’s findings, and can use the chalk-board, PowerPoint and/or youtube found or created content to make their case as long as economic logic, as discussed in class and in the Mankiw text, is used in the presentations. Presentations are to be between 10 and 15 minutes for each group, with a group-led 5 minute question-and-answer session after each group presentation.

The Instructor will make available throughout the semester a sign-up sheet for students wishing to sign-up in groups of between 3 and 5 people for this exercise. Students who do not sign-up for a group on or prior to October 18, 2013 will be assigned a group and/or issues on which “Economists’ Agree” on the next class 10/22/13. There is no grade penalty for not signing-up with a class group in advance of the 10/18/13 deadline.

Grading policy:

“A”: 91-100% of possible points for the semester, “A-“: 90 points, “B+”): 89 points, “B”): 81-88 points, “B-”): 80 points, “C+”): 79 points, “C”): 71-78 points, “C-”): 70 points, “D” 60-69 points. Everything below 60 points is an “F”.

Extra Credit Opportunity:

Students will have an opportunity to improve their course grade by addressing the Instructor’s comments on the homework assignment due 10/8/13. Students can submit a revised essay along with the original to additional points. The extra-credit essay (optional) is due 12/6/13.

Class Rules:

There will be no cellphone or txt use during class; computers (and smartphones etc.) are acceptable if they are used keep notes on class discussion and/or to do research in order to participate in class discussion. There will be no prolonged “side discussions” during class as they distract from the learning of others. Anyone who persists in disrupting the class will be asked to leave the classroom.

There will be no make-up exams, homework assignments, or other “extra-credit” opportunities (missed deadlines due to documented medical or other emergencies will mean that we re-weight the grading protocol to account for missed work). Any student requiring special accommodations should inform the Instructor as soon as possible at the beginning of the semester.

TOPICS

The topics for the class are organized around Mankiw’s “Ten Principles of Economics”, available on Instructor’s website. Each principle will be used to introduce the fundamental “tools” in economic thinking and will draw upon other text chapters, lectures and supplemental materials which present each “tool” in more detail. The Chapters in parantheses () are from Mankiw’s 8th Edition, the other Chapters referenced are from earlier editions.

Economic Principles and Tools

Chapters from Mankiw (8th Edition)

Introduction: The Keynesian Equation for measurement of the macro-economy [$Y=C+I+G+(X-M)$], the Burden of Government measurement [G/Y], and introduction to the “Keynesian” and “Hayekian” ideal-types.

“Fear the Boom and Bust” and “Quantitative Easing Explained” Youtube

How people make decisions (Praxeology)

1. People face trade-offs and 2. The cost of something is what you give up to get it

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|---|--------------------|
| a. Efficiency versus Equality, positive & negative rights | Ch.1 (Lecture) |
| b. Bankruptcy of welfare-state | Ch.1, Lecture (19) |
| i. demographic shifts, ii. “fiscal cliff” | Lecture, Youtube |
| iii. “Life-cycle economics” | |
| c. Production Possibility Frontier, opportunity cost | Ch.2 (Lecture) |
| d. Time-Preferences and Loanable Funds (LF) Market | Ch.13 (3,6) |
| e. “Life-cycle” economics | Lecture (6) |

Praxeology (cont.)

3.Rational people think at the margin

- a.Adam Smith, self-interest, the “invisible hand” Ch.1 (9)
- b.Milton Freidman on greed Youtube
- c.Marginal Utility, time & ignorance, utility of money, Ch.14, Hayek 1945 (1)
and interpersonal utility comparisons
- d.Class discussion on “rationality” and “greed”
- e.The Demand Curve, movements and shifts Ch.4 (1)
- f.The Supply Curve, movements and shifts Ch.4 (1)
- g.Normal, inferior, Veblen & experience goods Lecture

4.People respond to incentives

- a.Tax and subsidy incentives Ch.13 (19)
- b.The Laffer Curve Ch.8 (Lecture)
- c.Class discussion on incentives

How people interact (Catallaxy)

5.Trade can make everyone better

- a.Comparative Advantage Ch.3 (Lecture)
- b.Supply & Demand, Consumer and Producer Surplus Ch.7 (Lecture)

6.Markets are usually a good way to organize economic activity

- a.Deadweight Loss (DWL) of government intervention (tax example) Ch.8 (Lecture)
- b.Rent-seeking and transfer of surplus to special interests Krueger 1974
- c.Unintended Consequences of government intervention into markets Lecture
- i.International war on drugs, ii.Rent control, iii.Minimum wage, Ch. 4 (7)
iv.Insurance subsidies, v.Gas price controls & Instructor website
- d.Price controls and disaster response
- e.Factor mobility and price adjustments, “knowledge problem” Hayek 1945
- f. Regulatory capture theory Lecture
- i. bond rating and ii. BP Gulf of Mexico examples

Film: *Atlas Shrugged* (2011)

Class discussion on *Atlas Shrugged*

7.Governments can sometimes improve market outcomes

- a.Property rights and investment Ch.1 &12, economicfreedom.org (3)
- b.Externalities: market failures, public goods Ch.1 & 7 (Lecture)
- c.Economic and paternalist roles for government Lecture
- d.Robert Higgs’ “Regime Uncertainty” Youtube

How the economy as a whole works (Macroeconomics)

8.A country’s standard of living depends on its ability to produce goods and services

- a.Keynesian equation and measurement of the economy Ch.10 (2)
- b.Productivity (Y/N) Ch.1 (3)
- c.Burden of Government (G/Y) historically considered Lecture
- d.Investment versus Consumption Lecture
- e. Historical economic growth under capitalism Ch.12, Lecture (1)

9.Prices rise when the government prints too much money

- a.Quantity theory of money (MV=PQ) Ch.8 (5)
- i.Keynesian, ii.Monetarist, iii.Austrian monetary theories Lecture
- b.Consumer Price Index (CPI) Shadowstats.com (2)
- c.Distribution effects of inflation Doug French Youtube
- e.Bond ratings, risk and (real) returns Lecture
- d.International goods and money flows Ch.17 & Lecture (6)
- i.Current account and capital account, ii.International Big Mac Index
- Fisher Effects, iii. Purchasing Power Parity

10.Society faces a short-run trade-off between inflation and unemployment

- a.The Business Cycle Ch.1 &20 (10)
- b.The Philips Curve, long- and short-term Ch.22 (14)
- c.Definition of unemployment Shadowstats.com, Ch. 22 (7)
- i.“natural rate”,ii.“new normal” Lecture
- d.Keynesian “Demand-Side” fiscal policy Ch.21 (3,6, Epilogue)
- e.Government deficit spending & “crowding-out” in LF Market Ch.22 (3)
- f.“Supply-Side”economics Ch.21&Lecture (11)
- g.Federal Reserve monetary policy & Open Market Operations Ch.21 & 16
- (4)h.Quantitative Easing Youtube
- i.Lag-time for macroeconomic interventions Lecture
- i.“Systemic risk”, “too big to fail”, Lendor of Last Resort Lecture
- j. Central Bank “dual mandate” Lecture
- k. Debate on Keynesian versus Austrian Economics Youtube

TOPICS (cont).

Class group presentations on “Economists Agree” from Mankiw, available on Instructor’s website.

Final Exam

Review of Final Exam

GRADING SCHEDULE

Homework and Extra Credit	15%
Midterm Exam	15%
In-Class Quiz	10%
Group Presentations	15%
Final Exam	30%
Class Participation and Attendance	<u>15%</u>
	100%

Last day to drop class without transcript notation: September 24, 2013

HMW due: October 8, 2013

Midterm Examination: October 15, 2013

Optional groups formed for “Economists Agree” presentations: October 18, 2013

“Economists Agree” groups assigned if not already formed: October 22, 2013

In-Class Quiz: October 29, 2013 (last 45 minutes of class)

Group presentations on “Economists Agree”: 11/22, 12/3 and 12/6/2013

HMW extra-credit revisions due: December 6, 2013

Final Examination: December 10, 2013

In-class review of Final exam: December 13, 2013