

The University of Kentucky
Principles of Economics II (ECO 202)
Spring 2018

Instructor

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Class Hours: Tuesday, Thursday 08:00am – 09:15am
Office Hours: Tuesday, Thursday 09:30am – 11:00am

Required Textbook:

Hubbard R.G. and O'Brien A.P. Macroeconomics. 6th Edition. The ISBN for this book is 9780134106229. The Hubbard and O'Brien text is engaging, well-written, up-to-date, and provides a wonderful foundation for our course.

Prerequisite:

Introductory Microeconomics (ECO 201) or equivalent

Course Description

The course provides a study of how a 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.

Principles of Macroeconomics will introduce you to the major issues of economic 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 nation's level of exports and imports.

Grading System

<u>Grade</u>	<u>Total (100%)</u>
A	89.5%
B	79.5%
C	69.5%
D	59.5%
E	< 59.5%

Exams

There are three exams in this course and the contribution of each exam to your final grade is given below. The final exam is cumulative. The exams cover material from class, the textbook, and any additional assigned readings. The exam dates are **February 15th, March 29th, and May 2nd**.

Any student missing an exam due to an excused absence must inform me before the exam. If you miss a Midterm Exam and I 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.

<u>Exam</u>	<u>Contribution to Grade</u>
Exam I	25%
Exam II	25%
Final Exam	30%
Weekly Class Activities	10%
Homework (MyEconLab)	10%

MyEconLab Online Homework

There will be one homework assignment on MyEconLab for each chapter that we cover. The four lowest homework grades will be dropped.

Each MyEconLab homework will consist 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 inform me within a week, you receive a zero for that homework.

Weekly Class Activities

Every week, preferably on Wednesday, you will be asked to answer some questions on the materials taught in class that week. The lowest four of those will be dropped.

Being Courteous

Be on time and if possible do not leave until class is dismissed. Late arrivals and early departures disrupt your fellow classmates and me. If you have a long walk to get to your next class, please let me know in advance. If you must leave the class urgently, please do so and return to the classroom quietly. Do not carry on private conversations during class. This behavior shows disrespect towards your classmates who would like to hear the lecture and it can have a negative impact on the learning environment of the class.

Laptops and Cell Phones

You can use your laptop to take notes, however, do not use it for instant messaging, playing games, shopping, and/or browsing the internet etc. I expect professional behavior: put your phone on silent during the entirety of the class. No texting during class, however, if you receive a message in class that you must respond to urgently, please do so quietly and without disrupting other students sitting next to you.

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 absence within one week following the period of the 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.** Attach your entire exam to your written grievance.

LEAP Tutorial Lab

The Gatton College of Business & 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 the vast majority of its 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 email me as soon as possible. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (DRC). 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 Schedule

Part I: Introduction to Macroeconomics and Trade

Week 1 – Introduction and Overview (Chapter 1)

Week 1 – Foundations and Models (Chapter 1)

Week 2 – Trade-offs, Comparative advantage, and the Market System (Chapter 2)

Week 2 – GDP: Measuring Total Production and Income (Chapter 8)

Week 3 – Unemployment (Chapter 9)

Week 4 – Inflation (Chapter 9)

Week 5 – Economic Growth, the Financial System, and Business Cycles (Chapter 10)

Week 5 – Long-Run Economic Growth: Sources and Policies (Chapter 11)

Week 6 – First Exam.

Estimated Date: Thursday, February 15, 2018

Week 7 – Aggregate Expenditure and Output in the Short Run (Chapter 12)

Week 7 – Aggregate Demand and Aggregate Supply in the Short Run (Chapter 13)

Week 8 – Money, Banks, and the Federal Reserve System (Chapter 14)

Week 9 – Monetary Policy (Chapter 15)

Week 9 – Monetary Policy (Chapter 15)

Week 11 – Second Exam.

Estimated Date: Thursday, March 29, 2018

Week 12 – Fiscal Policy (Chapter 16)

Week 13 – Fiscal Policy (Chapter 16)

Week 14 – Inflation, Unemployment, and the Federal Reserve Policy (Chapter 17)

Week 14 – Macroeconomics in an Open Economy (Chapter 18)

Week 15 – Macroeconomics in an Open Economy (Chapter 18)

Week 15 – The International Financial System (Chapter 19)

Week 16 – Exam Review

Week 8 – Final Exam (Cumulative) – Wednesday, May 2, 2018 at 10:30 am

Sources of Macroeconomic Data:

The World Bank <http://databank.worldbank.org/>

US Department of Commerce, Bureau of Economic Analysis: <http://www.bea.gov/>

US Department of Labor, Bureau of Labor Statistics: <http://www.bls.gov/>
Board of Governors of the Federal Reserve System: <http://www.federalreserve.gov/>
Federal Reserve Bank of St. Louis: <http://research.stlouisfed.org/fred2/>
For CPI, Unemployment, Housing Stats, etc. <http://www.bloomberg.com/markets/index.html>