ECONOMICS 104 DAVID L. SCHAFFER
PRINCIPLES OF MACROECONOMICS FALL, 2019

COURSE INFORMATION

PREREQUISITES: There are no prerequisites for this course. This course and Economics 103 are designed to be independent of each other. You may take just Econ. 104, or just Econ. 103, or both of them. If you take both, you may take them in either order or even simultaneously.

REQUIRED TEXTBOOK: Campbell R. McConnell, Stanley L. Brue, and Sean M. Flynn, *Economics: Principles, Problems, and Policies,* 21st Edition (McGraw-Hill Education, 2018). Be sure to get the 21st edition.

OPTIONAL BOOK: William B. Walstad and Robert C. Bingham, *Study Guide to Accompany McConnell, Brue, and Flynn Economics,* 21st Edition (McGraw-Hill Education, 2018). If you are completely lost after 3 weeks, this book can help you with the basics. However, for most students it is too simple.

ON-LINE READINGS: For each major topic that we cover, I will make available short on-line readings that I have written. They will be posted on the Canvas site for this class. **These are required reading and are in many ways even more important than the textbook readings.**

ADDITIONAL READINGS: There are many current public topics and debates that have a macroeconomic dimension to them. We will integrate these into the course as much as possible. I will routinely distribute copies of news articles that relate to the material in our class. In addition, I encourage you to read regularly the national news and business sections of a good daily newspaper such as the *New York Times*, the *Wall Street Journal*, the *Washington Post*, or the *Chicago Tribune*, and a good weekly newsmagazine such as *Time*, *U.S. News*, *The Week*, or *The Economist*.

CLASS SCHEDULE AND ATTENDANCE: I will be teaching two sections of this class. The times and locations are:

Section 005	MWF	1:00 P.M. - 1:50 P.M.	Centennial 1920
Section 006	MWF	2:00 P.M. - 2:50 P.M.	Centennial 1920

I expect you to attend class regularly and I will take attendance. If you have too many unexcused absences, it will lower your final grade.

The classroom lectures / discussions will often follow a different organization than the textbook **and will sometimes introduce material more advanced than in the textbook.** If you miss a class, it is your responsibility to borrow and copy – from one of your classmates – the notes for that class. If you look these notes over, but still have some unanswered questions, you should make an appointment to talk to me about the material.

Since **all graded assignments will be based primarily upon the material covered in class and in the on-line readings,** and only secondarily upon material from the textbook, it is essential that you come to as many classes as possible, focus on the material being covered, ask questions, and take reasonably good class-notes.

GRADE DETERMINATION: Your grade for the course will be based on four tests, a final exam, and one short paper. The weighting will be as follows:

Assignment	*Tentative* Dates	Weight
Test 1	Fri., Sept. 20	16%
Test 2	Fri., Oct. 11	16%
Test 3	Weds., Oct. 30	16%
Test 4	Mon., Nov. 18	16%
Short Paper	due on Mon., Nov. 25	10%
Final *Cumulative* Exam	(during exam period: Dec. 16-20)	26%
		100%

The four tests and the final exam will each receive one of the following letter grades: A (4.00), A- (3.67), B+ (3.33), B (3.00), B- (2.67), C+ (2.33), C (2.00), C- (1.67), D+(1.33), D (1.00), D- (0.67), F (0.00). The short paper will receive either an A (4.00), a C (2.00), or an F (0.00).

TESTS AND FINAL EXAM: Each of the tests will be a mixture of short-answer and long-answer questions. The final exam will be similar, but longer.

Each of the tests will cover material from about one-fifth of the course, while the final exam will cover material from the entire semester, but will emphasize material from the last three-fifths of the course. **All graded assignments will be based primarily upon the material covered in class and in the on-line readings,** and only secondarily upon material from the textbook.

Any absences from tests or exams should be approved in advance. However, if you planned to take a test, but missed it – due to an unexpected event – contact me immediately. Depending on the reason for your absence, I may allow you to take a makeup version of the test. If not, then you will receive a failing grade for that assignment. **Unapproved absences from either (a) two or more tests or, (b) the final exam alone will result in a failing grade for the course.**

PROBLEM SETS: I will assign problem sets regularly during the course of the semester. Although I will not collect or grade these, they are extremely important. They are your primary tool for learning the material well. They are also the best way of preparing for the tests and exams. Some of the assigned problems will come from the end-of-chapter "Questions and Problems" in your textbook. The rest will come from previous tests that I have written.

I will always make available written answers to the problem sets several days after I assign them. It is very important that you spend time carefully looking over the correct answers and comparing them to yours. If your answer is different than mine, what is the difference? Do you understand why your answer is not completely correct? Do you understand how I determined my answer? Can you apply that logic correctly to a similar problem on a test?

If you fail to keep up with the problems sets, it is likely to have a large negative impact on both your learning and your grades.

STUDENTS WITH ENGLISH AS A SECOND LANGUAGE (ESL): Students who are non-native speakers of English may request extended test-taking time (time and a half). To determine eligibility, English proficiency is evaluated by the Academic Skills Center (for U. S. permanent residents/citizens) or by the Department of Foreign Languages (for international students). Students approved for the accommodation are given a verification form to present to their course instructors. Students must provide verification during each semester at least one week before the test for which accommodation is needed. Verification is valid for one semester.

SERVICES FOR STUDENTS WITH DISABILITIES: Any student who has a disability and is in need of classroom accommodations, should let the instructor know and also contact the Services for Students with Disabilities (SSD) Office in Centennial Hall 2106 at the beginning of the semester. (https://www.uwec.edu/equity-diversity-inclusion/edi-services-programs/services-for-students-with-disabilities/about-ssd/)

ACADEMIC DISHONESTY: You are to do all of the in-class, graded assignments individually. You are not allowed to communicate with other students in any way. You are not allowed to refer to any of your books or notes. You are not allowed to engage in any type of academic misconduct.

Any academic misconduct in this course is a serious offense, and I will pursue the strongest possible academic penalties for such behavior. The disciplinary procedures and penalties for academic misconduct are described on the UW-Eau Claire Dean of Students web site. (http://www.uwec.edu/kb/article/blugold-student-conduct-code/)

IMPORTANT DEADLINES FOR THE FALL 2019 SEMESTER AT UWEC:

Tues., Sept. 10: Last day to register for or add full-semester courses without instructor's approval
Tues., Sept. 17: Last day to drop full-semester fall courses with no record
Last day to register for or add full-semester fall courses without dean's approval
Tues., Nov. 12: Last day to file withdrawal from the University with "W"s
Last day to withdraw from individual full-semester classes

OFFICE HOURS: My office is on the fourth floor of Schneider (Schneider 470). My office phone number is 715-836-3513 and my e-mail address is **schaffdl@uwec.edu.** I teach classes on Monday, Wednesday, and Friday from 11:00 A.M. until 12:00 noon, and from 1:00 P.M until 3:00 P.M., so I am *never* available during those hours. I *will* be available during the following office hours.

Monday	9:00 A.M. to 10:00 A.M.
Tuesday	9:00 A.M. to 11:00 A.M. and 1:00 P.M. to 3:00 P.M.
Wednesday	9:00 A.M. to 10:00 A.M.
Thursday	2:00 P.M. to 4:00 P.M.
Friday	9:00 A.M. to 10:00 A.M.

These office hours may be changed as the semester progresses, but I will always keep you well informed. If necessary, I can make an appointment to see you at a time other than during my office hours.

INSTRUCTOR: I grew up as an "urban midwesterner" in Detroit, Michigan. After high school I moved east and earned my B.A. degree in Economics from Swarthmore College (near Philadelphia) in 1979 and my Ph.D. in Economics from MIT (near Boston) in 1990.

This is my 39th year of teaching economics and my 22nd year of teaching at UW-Eau Claire. Previously, I taught at MIT (2 years), Union College (4 years), Dartmouth College (3 years), and Haverford College (8 years).

My major areas of interest are in Labor Economics, Macroeconomics, and Public Economics. Several years ago, I co-authored a scholarly book entitled, *Who's Not Working and Why: Employment, Cognitive Skills, Wages, and the Changing U.S. Labor Market* (Cambridge University Press, 2000). I continue to do research on the increasing inequality of wages in the U.S. and, most recently, on gender wage discrimination in the U.S. labor market.

On a personal note, I am married to Andrea, who is retired from teaching elementary school in Altoona. We have two children. Beth completed her bachelor's degree five years ago at UW-Stevens Point, with a major in Interior Architecture, and is living, working, and surfing in San Diego, California. Robert graduated from UW-Madison in December of 2017, also majoring in Interior Architecture, and is now in the second year of the 3-year Master of Architecture degree program at the University of Pennsylvania in Philadelphia.

We also have two adopted, mixed-breed, "rescued" dogs. Brenna is from a shelter in northern Wisconsin and is a mix of German shepherd, sheltie, and probably something else. Toby is from a shelter in Arkansas and we are not sure what he is, but it probably includes some husky. Although they never met each other before we adopted them, the two dogs are now inseparable. They are also bursting with energy.

When I am not busy with work or family or the dogs, I like to play the violin or read science fiction and fantasy novels.

COURSE GOALS & OBJECTIVES: The primary goal of this Economics 104 course is to give you the opportunity to practice and strengthen your analytical thinking skills. When firms are surveyed about the characteristics they are looking for in a new employee, they almost always list "strong analytic skills" as among the most important.

Economics stands out as one of several fields in which analytical thinking is essential. Working through the complex logic of how a change in the money supply by the Fed can affect the interest rate individuals pay on their bank loans is much like working through the logic of a challenging mathematics puzzle. However, the results are directly applicable to the "real world."

By the end of this course – if you apply yourself – you will be able to apply economic logic to questions of interest for both individuals and the nation. Since the underlying logic of economics is unlikely to change over the years, this skill will be useful far into the future.

The secondary goal of this course is to teach you about the economic and political institutions that play critical roles in the U.S. economy today. In order to understand the U.S. economy today, you must understand the roles of economic institutions like the Federal Reserve Bank, the U.S. Treasury Department, and commercial banks as well as major political institutions such as the U.S. Congress.

Some of the key goals/objectives for all sections of Economics 104 are, that upon completion of the course, students should be able to:

(1) Summarize macroeconomic data.
(2) Identify macroeconomic issues in the media.
(3) Use simple models to calculate the rate of inflation.
(4) Explain the likely macroeconomic effects of Federal policy actions.
(5) Apply their understanding of central banking.
(6) Solve for equilibrium conditions using basic macroeconomic models.
(7) Diagram equilibrium conditions using basic macroeconomic models.

Some of the economics department program goals, across all economics classes, are that students should gain experience:

(1) Using economic models (including supply and demand, models of the behavior of competitive and monopolistic firms, consumer optimization models, and macroeconomic models such as the Solow growth model, AS/AD model, and IS/LM model) to analyze economic behavior, social issues, and policy problems.
(2) Assembling and analyzing economic data to test economic hypotheses.

All of these goals will be satisfied by this course – if you apply yourself.

COURSE DESCRIPTION: Macroeconomics is the study of economic activity at the economy-wide level. While *micro*economics (Econ. 103) focuses on the markets for *individual* goods, services, or factors, *macro*economics focuses on the *combined results of all* such markets within an economy. Thus, macroeconomics deals with the total level of production of all goods in an economy, the average level of all prices in an economy, the total employment of all labor in an economy, the average wage rate of all workers in an economy, and so on.

In more technical language, macroeconomics focuses on the determinants and interactions of national output and inflation; employment, unemployment, and real wages; the money supply and interest rates; the trade balance and foreign exchange rates; and the government budget deficit (or surplus) and the national debt.

In this principles course, some of the specific topics are: the current state of the U.S. economy, the effects of government budget deficits and surpluses, the determinants of consumption, the volatility of investment, the multiplier effect and crowding out, causes of the business cycle, the effects of government taxation and spending, theories of inflation and unemployment, financial sector regulation, wage and price stickiness, the role of money and the banking sector, the significance of inflationary expectations, the effect of international trade and exchange rates, and the relative effectiveness of fiscal and monetary policies.

COURSE OUTLINE AND CALENDAR:

UNIT 1. INTRODUCTION TO ECONOMICS AND SOME BASIC MODELS (SEPT. 4 – SEPT. 20)

1. Defining Economics (Sept. 4 – Sept. 8)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 1, part 1
2. The Production Possibility Model (Sept. 9 – Sept. 12)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 1, part 2
3. The Supply and Demand Model (Sept. 13 – Sept. 20)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 3

UNIT 2. MEASURING THE ECONOMY AND THE BUSINESS CYCLE (SEPT. 21 - OCT. 11)

1. Measuring Aggregate Quantities and Prices for an Economy (Sept. 21 – Sept. 29)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapters 26 and 27
2. The Business Cycle and Recent Trends in the U.S. Economy (Sept. 30 – Oct. 11)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapters 28 and 29

UNIT 3. THE AGGREGATE EXPENDITURE (AE) MODEL AND THE MULTIPLIER EFFECT (OCT. 12 – OCT. 30)

1. The Multiplier Effect During a Recession (Oct. 12 – Oct. 20)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 30
2. The Aggregate Expenditure Model (Oct. 21 – Oct. 30)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 31

UNIT 4. THE AGGREGATE DEMAND-AGGREGATE SUPPLY (AD-AS) MODEL AND FISCAL POLICY (OCT. 31 – NOV. 18)

1. The Aggregate Demand - Aggregate Supply Model (Oct. 31 – Nov. 7)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 32
2. Fiscal Policy, Budget Deficits, the National Debt & the U.S. Congress (Nov. 8 – Nov. 18)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 33

UNIT 5. MONEY, BANKING AND MONETARY POLICY (NOV. 19 - DEC. 13)

1. Defining and Measuring Money (Nov. 19 – Nov. 24)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 34
2. Money Creation, the Money Multiplier &the Role of Commercial Banks (Nov. 25–Dec. 3)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 35
3. Interest Rates, Monetary Policy and the Fed (Dec. 4 – Dec. 13)
   McConnell, Brue and Flynn, *Economics*, 21st edition, chapter 36

CONTRIBUTIONS OF THIS COURSE TO THE LIBERAL EDUCATION (LE) CORE:

At UW-Eau Claire, we have developed a strategic vision to *be the premier undergraduate learning community in the Upper Midwest, noted for rigorous, integrated, globally infused, undergraduate liberal education, and distinctive, select graduate programs* (Centennial Plan).

Critical to realizing this vision is the unfolding of a new **Liberal Education Core** that provides all students an educational foundation with academic breadth and depth of knowledge, and that helps students to develop skill sets that are highly marketable and lead to life-long learning and civic engagement. Our Liberal Education Reform process is well underway through a collaborative effort of faculty, students and administration.

We are transforming our Liberal Education Program to one based on assuring that all students, by the time they graduate, have attained high levels of proficiency in meeting our liberal education learning goals and outcomes.

The UW-Eau Claire Liberal Education (LE) Core curriculum serves as a strong foundation for all of our academic programs. Our LE Core embodies the Power of [AND] in its design. It has been developed to ensure that you acquire the knowledge AND skills AND responsibility that you will need to actively engage in a global society. Through meeting the requirements of the LE Core you will develop the ability to think critically, creatively and independently. You will learn to integrate and apply your knowledge and develop the values essential to becoming a constructive global citizen. The outcomes below will empower you and prepare you to deal with complexity, diversity, and change in multiple settings. They will also develop highly marketable skills and lead to life-long learning and civic engagement.

LIBERAL EDUCATION CORE OUTCOMES:

KNOWLEDGE GOAL:
Build knowledge and awareness of diverse peoples and cultures and of the natural and physical world through the study of arts, histories, humanities, languages, mathematics, sciences and technologies, and social sciences.

Knowledge Outcome 1 (K1): Natural Sciences. Describe and evaluate models of the natural and physical world through collection and scientific analysis of data, and through the use of mathematical or computational methods.
Knowledge Outcome 2 (K2): Social Sciences. Use knowledge, theories, methods, and historical perspectives appropriate to the social sciences to explain and evaluate human behavior and social institutions.
Knowledge Outcome 3 (K3): Humanities. Use knowledge, historical perspectives, analysis, interpretation, critical evaluation, and the standards of evidence appropriate to the humanities to address problems and explore questions.
Knowledge Outcome 4 (K4): Fine Arts. Use knowledge, historical perspectives, theories, or methods appropriate to the arts to describe their context, function and impact.

SKILLS GOAL:
Develop intellectual and practical skills, including, for example, inquiry and analysis, critical and creative thinking, written and oral communication, quantitative literacy, information literacy, and teamwork and problem solving.

Skills Outcome 1 (S1): Written and Oral Communication. Write, read, speak, and listen effectively in various contexts using a variety of means including appropriate information sources and technologies.
Skills Outcome 2 (S2): Mathematics. Use mathematical, computational, statistical, or formal reasoning to solve problems, draw inferences, and determine the validity of stated claims.
Skills Outcome 3 (S3): Creativity. Create original work, perform original work, or interpret the work of others.

RESPONSIBILITY GOAL:
Apply personal and social responsibility for active citizenship and develop skills needed to thrive in a pluralistic and globally interdependent world.

Responsibility Outcome 1 (R1): Equity, Diversity, and Inclusivity. Use critical and analytical skills to evaluate assumptions and challenge existing structures in ways that respect diversity and foster equity and inclusivity.
Responsibility Outcome 2 (R2): Global Perspectives. Evaluate the impact of systems, institutions and issues in local and global contexts and across cultures.
Responsibility Outcome 3 (R3): Civic and Environmental Issues. Use critical and creative thinking to address civic, social, and environmental challenges.

INTEGRATION GOAL:
Integrate learning across courses and disciplines within and beyond campus.

Integration Outcome 1 (I1): Integration. Apply knowledge, skills, or responsibilities gained in one academic or experiential context to other contexts.

SERVICE-LEARNING GOAL:
Serve their community by applying skills and knowledge gained through university coursework and/or experiences.

This course, Economics 104: ***Principles of Macroeconomics***, addresses the LE Goal K2, "*Use knowledge, theories, methods, and historical perspectives appropriate to the social sciences to explain and evaluate human behavior and social institutions*." You will learn how economists use theoretical models, historical evidence, and current data to understand the ups and downs of the business cycle as well as the levels of long-term growth. You will also learn how government policies can be used to promote both economic stability and long-term growth. You will have many opportunities, throughout the semester, to develop and demonstrate your understanding of macroeconomic concepts. Student outcomes on specific questions from the tests and the final exam will be used to assess the degree to which students are able to meet this goal upon completing the course material.