National Income & Business Cycles

Administration

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Office hours: Mondays 10-11 and 12-1, Tuesdays 3-4, Wednesdays 10-11 and 12-2, Fridays 10-11, and by appointment
Course website: http://www.owu.edu/~ggskospl/E259

Overview

The course studies the economy as a whole with a strong emphasis on the U.S. economy. We will cover topics from Economics 110 in a more advanced way and will expand on the list of topics. In particular, we will take a more theoretical approach to analyzing the macroeconomy. By the end of this course, the students should be able to address the following questions:

1. What determines an economy’s ”standard of living” and growth path?
2. What is ”the business cycle” (i.e., fluctuations and co-movements in consumption, investment, employment, output, interest rates, inflation, etc.)?
3. What can/should a government do when an economy experiences macroeconomic fluctuations?
4. What are the effects of monetary policy, fiscal policy, trade policy, and exchange rate policy?
5. What were the events associated with the Great Recession?

Grading

Your course grade will be determined by your performance on homework assignments (20%), class blog (10%), two midterm exams (20% each), and a comprehensive final exam (25%). The remaining 5% of your grade will come from your active participation in class discussions.

Homework

Each week you will be assigned a set of homework questions and it will primarily deal with the material covered during the previous week. Homework assignments will be due Fridays at the beginning of class. Should there be exceptions to the due date, you’ll be informed on
time. The lowest homework set will not be counted towards your grade. Also note that *no late homework will be accepted.*

**Exams**

The first midterm is tentatively scheduled for Friday, September 20th, and the second is tentatively scheduled for Monday, October 28th. The final exam for is on Tuesday, December 10th at 1:30 PM.

**Textbook**

N. Gregory Mankiw, *Macroeconomics,* either the 8th, the 9th, or the 10th edition, Worth Publishing. One of the sites that you can use to find the cheapest online bookstore is http://www.addall.com/.


**Economic Outlook Conference**

As part of the class, you are required to attend the Economic Outlook Conference, which is scheduled for Tuesday, November 12th at 7:30 pm this year.

**Other resources**

In this course we will extensively use the class website (http://www.owu.edu/~ggskospl/E259). There you can find lecture notes for each class, homework assignments, past exams, a link to the blog site, and a resources page with useful course links such as relevant data sources. Additionally, your grades will be available in Blackboard.

**Attendance**

Attendance in this class is not mandatory, but note that for majority of students, class attendance and grades are strongly correlated. If you miss class, make sure you get notes from your classmates. Office hours are not a substitute for class attendance, but a complement.

**Cell phones**

Please, don’t use a cell phone in class (unless I ask you to use it as a calculator). Any cell phone rings will cost you $1 which will be placed in the candy fund.

**Course Blog**

A blog for this class has been set up at http://owue259.blogspot.com/. Blogging is an inter-
active process between writers and readers where readers may not agree with the opinions
you express, and are free to tell you so. This includes me, although I attempt to stick to
assertions, facts, and conclusions that are within the mainstream of economics. Please try
not to be offended at any blog comments I may make, but please do inform me if I do offend
you.

A post is a new contribution on a topic of your choice. All posts must include at least
one hyperlink to material from outside the class blog, and they must be related to what we
study during the course of the semester. A comment is a new contribution to a pre-existing
post intended to extend or clarify the discussion. You may also ask questions requiring
clarification or explanation from me or the student who wrote the original post. Posts
must be factual at their core. You may support those with what you learn in class about
economics, or with opinions about economic issues. Comments need not include new facts.
They must have some foundation in economics. They should not be purely opinion. I want
to see discussion and debate, not contradiction.

You will receive credit for posts and comments. A full score is worth 70 points. For the
purpose of blogging, the course is divided into seven two-week sections. Within each of the
sections, you will receive 6 points for your first post. Your first two comments within each
section are worth 2 points each and each additional comment receives 1 point. The maximum
number of points you can earn in each section is 15. From those amounts I may subtract
points for errors of fact, spelling, grammar, or style. Comments on your own posts will not
be awarded credit, unless they are replies to earlier comments.

Completion of a blog post or comment will be evaluated by the time stamp attached to the
e-mail notification I receive from Blogger noting your post or comment. I will count all posts
and comments that arrive with a time stamp before 8:00 AM on Mondays when the new
section begins. Later posts or comments will count fully, but for the following period.

To ensure that posts are spread throughout each two week period and are not bundled
together on Sundays before date dates, you have an additional constraint. The maximum
points you can receive in any day (24 hours period) is eight.

The implications of this system are that: 1) the minimum amount of work to get 80 points
is to do one post and two comments in each of the eight sections, 2) to get the minimum
amount of points, you have to contribute to the blog on at least two different days in each
section, and 3) it is possible to earn extra credit from blogging by commenting on other
students’ posts.

In order to begin posting to the blog you must first complete the free registration with
Blogger. In order to do this, I will send an invitation to your OWU email address to join
the blog. Once you receive the invitation via email, simply follow the instructions to create
your account.

**Academic Accommodation**

The American with Disabilities Act (ADA) is a federal anti-discrimination statute that
provides comprehensive civil rights protections for persons with disabilities. Among other things, the legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have, or think you may have, a disability (e.g., mental health, attentional, learning, chronic health, sensory, or physical), please contact Disability Services in Corns 315 or call 740.368.3925 to arrange a confidential discussion regarding equitable access and reasonable accommodations. If you are registered with Disability Services and have a current letter requesting reasonable accommodations, please contact me as early in the semester as possible to discuss how the accommodations will be applied in the course. For more information, consult the Disabilities Services website, http://ldac.owu.edu/index.html.

Study Tips

National Income and Business Cycles is a challenging class; the following tips may help you do well.

• You should devote at least 1.5 hour of your time for every hour of in-class time (i.e., at least 4.5 hours per week) to reading the book, going over the class notes and doing assignments.

• Read the assignments carefully. When reading always keep pen and paper handy to take notes (this is a good idea for any course you take). Redraw every graph to make sure you understand how it works. Write down every equation and make sure you understand what it means.

• Attend my office hours (or schedule an appointment) whenever you are unclear about anything. Don’t put off attending office hours until the day before the exam as it gets too crowded to work one-on-one at those times.

• Get to know your professor. Educational research shows that students who know their professor well feel more connected to the college, understand the material better and get better grades.

• When you come to office hours ask specific questions; for instance, not “Why didn’t I get a better grade?” but “Where did I go wrong in this problem?”

• Do not hide academic difficulties. Studies have shown that students who ask for help improve while those who do not spiral downward feeling isolated, failing and unhappy.

• Study in small groups of two or three (no larger), but first attempt all problems yourself. After trying the problems yourself discuss them with one or two of your classmates. Doing homework is important but what really matters is that it helps you understand the material. You must, of course, do your own work, but studies show that those who study on their own and then discuss their work with one or two classmates, understand the material better and feel more engaged with the subject matter.
• Carefully consider how much time you allocate to studying for this course. Studies show that students who do well in a course always mention how much time they spent studying when evaluating their experience; students who do poorly never mention time. The issue of study time should be an important part of how you think about this course. On a daily basis, you should be thinking about how much time to allocate to study, the quality of your study time, what time of the day you study and so on.

• You cannot study for this, or any college course, the way you studied in high school, 25 minutes before class, half an hour between classes, 45 minutes after dinner. Studies show that understanding and grades improve when college students set aside an uninterrupted stretch of a few hours to study one subject.

Why you should take notes by hand and not on a laptop

Course Outline

1. Overview and Macroeconomic Data
   1.1 The Science of Macroeconomics
   1.2 The Data of Macroeconomics

2. Classical Theory (Economy in the Long Run)
   2.1 Unemployment
   2.2 The Basic Classical Model of National Income
   2.3 Money and Inflation
   2.4 The Open Economy

3. Economic Growth (Economy in the Very Long Run)
   3.1 Growth Model
   3.2 Population Growth and the Technological Progress
   3.3 Growth Policy Applications

4. Economic Fluctuations (Economy in the Short Run)
   4.1 The Linear Keynesian Model: the Keynesian Cross
   4.2 The Linear Keynesian Model (simple IS-LM and AS-AD Closed Model)
   4.3 Effects of Monetary Policy over time on GDP, Inflation and Interest Rates
   4.4 Effects of Fiscal Policy over time on GDP, Inflation and Interest Rates

5. The Great Recession
   5.1 Timeline of the Great Recession
   5.2 Causes of the Great Recession
   5.3 Monetary and Fiscal responses by the Federal Reserve and the Treasury