

Macroeconomics

Course Text and Study Guide

- McConnell, Campbell R. and Stanley L. Brue. *Macroeconomics: Principles, Problems, and Policies*, 17th edition. McGraw-Hill, 2008. ISBN 9780073273082.
- McConnell-Brue: *Study Guide for use with Macroeconomics*, 17th Edition. McGraw-Hill, 2008. ISBN 9780073273204.
- [This text (though not the study guide) is available as an etextbook at purchase or students may find used, new, or rental copies at [this link](#)]

Course Description

Macroeconomics analyzes the performance of the national economy and its links to the global economy. This course is designed to examine many aspects of the economy from an aggregate perspective. Basic tools of economists are described, and an overview of the interrelated components of the United States' economy is included. Supply, demand, economic measures, growth, employment, and inflation, as they relate to the business cycle and the health of the economy, are examined. The relationship between aggregate expenditures and aggregate supply is analyzed. The roles of fiscal policy, money, banks, and monetary policy in the economy are discussed along with examining the role politics and the Federal Reserve have on economic outcomes. Other topics include the deficit, surplus, national debt, and the U.S. Social Security system. Throughout the course, various international issues in today's global economy are presented.

Course Objectives

After completing this course, students will be able to:

- Identify and apply relevant terminology and concepts to economic issues and problems.
- Compare and contrast the market system of economics with other systems.
- Analyze and synthesize the public and private sectors of the U.S. economy.
- Explain and synthesize the components of the National Income and Product Accounts.
- Describe the macroeconomic goals and problems.
- Analyze and synthesize short-run and long-run models of macroeconomic activity.
- Analyze government macroeconomic policy tools, and explain how they are used to stabilize the macroeconomy.
- Compare and contrast various macroeconomic theories.
- Analyze and synthesize international economic activity, and use the results to predict the impact on U.S. macroeconomic activity.

Course Prerequisites

There are no prerequisites to take Macroeconomics.

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Important Terms

In this course, different terms are used to designate tasks:

- Proctoring: all final exams require proctoring which can be completed conveniently from your home. A webcam is required.
- Tutoring: memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
- Practice Exercise: A non-graded assessment to assist you in practicing the skills discussed in a topic.
- Graded Exam: A graded online test.

Course Evaluation Criteria

StraighterLine provides a percentage score and letter grade for each course. See [Academic Questions](#) section in FAQ for further details on percentage scores and grading scale. A passing percentage is **70%** or higher.

If you have chosen a Partner College to award credit for this course, your final grade will be based upon that college's grading scale. Only passing scores will be considered by Partner Colleges for an award of credit.

There are a total of 1000 points in this course:

Topic	Assessment	Points Available
1	Graded Exam: Limits, Alternatives, and Choices	40
2	Graded Exam: The Market System and the Circular Flow	40
3	Graded Exam: Demand, Supply, and Market Equilibrium	40
4	Graded Exam: The U.S. Economy Private and Public Sectors	40
5	Graded Exam: The United States in the Global Economy	40
6	Graded Exam: Measuring Domestic Output and National Income	40
7	Graded Exam: Introduction to Economic Growth and Instability	40
8	Graded Exam: Basic Macroeconomic Relationships	40
9	Graded Exam: The Aggregate Expenditures Model	40
9	Cumulative Midterm Exam	120

10	Graded Exam: Aggregate Demand and Aggregate Supply	40
11	Graded Exam: Fiscal Policy Deficits and Debt	40
12	Graded Exam: Money and Banking	40
13	Graded Exam: Money Creation	40
14	Graded Exam: Interest Rates and Monetary Policy	40
15	Graded Exam: Extending the Analysis of Aggregate Supply	40
16	Graded Exam: Economic Growth	40
17	Graded Exam: Disputes over Macro Theory and Policy	40
18	Graded Exam: International Trade	40
19	Graded Exam: Exchange Rates, the Balance of Payments, and Trade	40
19	Cumulative Final Exam	120
Total		1000

Course Topics and Objectives

Topic	Lesson Topic	Subtopics	Objectives
1	Limits, Alternatives, and Choices	<ul style="list-style-type: none"> • The Economic Perspective • Theories, Principles, and Models • Macroeconomics and Microeconomics • The Economizing Problem • Production Possibilities Curve • Graphs 	<ul style="list-style-type: none"> • Identify and describe three interrelated features of how economists think about the world. • Define opportunity cost and provide an example. • Differentiate between a theory, a principle, and a model. • Explain the usefulness of the "other-things-equal" assumption in economics analysis. • State the difference between Macroeconomics and Microeconomics. • Explain the difference between positive and normative economics. • Explain the Economizing Problem as it relates to the

			<p>individual and to society.</p> <ul style="list-style-type: none"> ● Explain the message of the basic production possibilities curve. ● Represent a relationship between two variables with a graph.
2	The Market System and Circular Flow	<ul style="list-style-type: none"> ● Economic Systems ● Characteristics of the Market System ● Five Fundamental Questions ● The Circular Flow Model 	<ul style="list-style-type: none"> ● Define economic system and explain the function of systems. ● Identify two major economic systems. ● Identify and explain the characteristics of the market system. ● Identify and explain the five questions all economic systems must address. ● Analyze the Circular Flow Model. ● Explain why Adam Smith believed the “invisible hand” would promote the public or social interest. ● Analyze the Circular Flow Model in terms of its various components.
3	Demand, Supply, and Market Equilibrium	<ul style="list-style-type: none"> ● Markets ● Demand ● Supply ● Market Equilibrium 	<ul style="list-style-type: none"> ● Describe markets and their function. ● Explain the inverse relationship between price and quantity demanded under the “all else equal” assumption. ● Identify the determinants of demand. ● Explain and graphically illustrate the difference between a change in quantity demanded and a change in demand. ● Explain the positive relationship between price and quantity supplied under the “all else equal” assumption. ● Identify the determinants of supply. ● Explain and graphically illustrate the difference between a change in quantity supplied and a change in supply.

			<ul style="list-style-type: none"> ● Explain and graphically illustrate market equilibrium. ● Explain the difference between production efficiency and allocation efficiency. ● Apply demand and supply analysis to real-world issues and problems.
4	The U.S. Economy: Private and Public Sectors	<ul style="list-style-type: none"> ● U.S. Households ● U.S. Businesses and Business Organization ● The Public Sector and Role of Government ● The Circular Flow Model With Government ● Government Budget Outlays and Receipts 	<ul style="list-style-type: none"> ● Describe the functional distribution of U.S. income ● Describe the personal distribution of U.S. household income. ● Describe the disposition of U.S. household income. ● State the difference between the various legal forms of business. ● Identify the economic functions of governments. ● Analyze the Circular Flow Model that includes the government sector.
5	The United States in the Global Economy	<ul style="list-style-type: none"> ● International Trade Specialization and Comparative Advantage ● The Foreign Exchange Market ● Government and Trade ● Trade Organizations and Agreements 	<ul style="list-style-type: none"> ● Analyze the economic flows that link the U.S. and the economies of other nations. ● Describe U.S. export and import data as a percent of GDP over time. ● Define comparative advantage and use a table to illustrate the concept. ● Construct a table illustrating the gains from specialization and ● Use a demand and supply model to show how exchange rates are determined. ● Use a demand and supply model to illustrate currency appreciation and depreciation. ● Identify common trade barriers imposed by governments and explain why governments interfere with trade. ● Compare and contrast the notable trade organizations and agreements.

			<ul style="list-style-type: none"> Analyze global competition.
6	Measuring Economic Outcomes	<ul style="list-style-type: none"> Gross Domestic Product The Expenditures Approach to Calculating GDP The Income Approach to Calculating GDP Nominal GDP versus Real GDP Shortcomings of GDP 	<ul style="list-style-type: none"> Define Gross Domestic Product. Analyze the expenditures view of GDP. Analyze the income view of GDP. Use the expenditures approach to calculate GDP. Use the income approach to calculate GDP. Explain the difference between Nominal GDP and Real GDP. State the shortcomings of GDP as a measure of national well being.
7	Introduction to Economic Growth and Instability	<ul style="list-style-type: none"> Economic Growth The Business Cycle Unemployment Inflation Redistribution Effects of Inflation Inflation and Output 	<ul style="list-style-type: none"> Define economic growth. Analyze the business cycle. Define unemployment. Calculate an unemployment rate using real-world data. Identify the different types of unemployment. Define inflation. Analyze the Consumer Price Index. Identify the different types of inflation. Explain how someone benefits from inflation and how someone loses from inflation. Analyze the relationship between cost-push inflation and output. Analyze the relationship between demand-pull inflation and output.
8	Basic Macroeconomic Relationships	<ul style="list-style-type: none"> The Income-Consumption Relationship The Income-Saving Relationship The Interest Rate-Investment Relationship 	<ul style="list-style-type: none"> Explain and graphically illustrate the relationship between income and consumption. Explain and graphically illustrate the relationship between income and saving. Define and calculate average propensity to consume and save. Define and calculate marginal

			<p>propensity to consume.</p> <ul style="list-style-type: none"> • Identify the non-income determinants of consumption. • Explain and graphically illustrate the relationship between the interest rate and investment. • Identify the non-interest rate determinants of investment demand. • Define and explain the multiplier effect. • Calculate the multiplier from hypothetical data.
9	The Aggregate Expenditures Model	<ul style="list-style-type: none"> • Equilibrium GDP • Changes in Equilibrium GDP • Adding International Trade to the Model • Adding the Public Sector to the Model • Equilibrium versus Full-Employment GDP • Limitations of the Model 	<ul style="list-style-type: none"> • Construct the Investment Schedule from the Investment Demand Curve. • Determine equilibrium GDP, Output, and Income using tabular data. • Determine and graphically illustrate equilibrium GDP. • State and explain the conditions for equilibrium GDP to hold. • Calculate and graphically illustrate the change in equilibrium GDP for a given change in investment spending. • Calculate and graphically illustrate the change in equilibrium GDP in an open economy. • Calculate and graphically illustrate the change in equilibrium GDP when public sector activities are added to the model. • Define and graphically illustrate a recessionary gap. • Define and graphically illustrate an inflationary gap. • State limitations of the Aggregate Expenditures Model.
10	Aggregate Demand and Supply	<ul style="list-style-type: none"> • Aggregate Demand • Changes in Aggregate Demand • Aggregate Supply 	<ul style="list-style-type: none"> • Define aggregate demand. • Explain the inverse relationship between the price level and real GDP.

		<ul style="list-style-type: none"> • Changes in Aggregate Supply • Equilibrium and Changes in Equilibrium 	<ul style="list-style-type: none"> • Analyze the causes of changes in aggregate demand. • Explain the shape of the long-run aggregate supply curve. • Explain the shape of the short-run aggregate supply curve. • Analyze the causes of changes in aggregate supply. • Use the AD-AS model to illustrate and to explain changes in macroeconomic conditions.
11	Fiscal Policy, Deficits, and Debt	<ul style="list-style-type: none"> • Fiscal Policy and the AD-AS Model • Built-In Stability • Problems, Criticisms, and Complications • The Public Debt 	<ul style="list-style-type: none"> • Define and graphically illustrate expansionary and contractionary fiscal policy. • State the importance of the automatic stabilizers. • Identify timing lags associated with fiscal policy. • Define crowding out and state its impact on expansionary fiscal policy • Analyze the ownership of the public debt.
12	Money and Banking	<ul style="list-style-type: none"> • The Functions of Money • The Components of Money Supply • The Federal Reserve and the Banking System 	<ul style="list-style-type: none"> • Identify the functions of money. • Define the M1, M2, and MZM definitions of money. • Outline the structure of the Federal Reserve System. • Describe the district Federal Reserve Banks. • Describe the FOMC. • Identify the functions of the Federal Reserve System.
13	Money Creation	<ul style="list-style-type: none"> • The Fractional Reserve System 	<ul style="list-style-type: none"> • Describe the characteristics of Fractional Reserve Banking. • Explain and illustrate with a simple balance sheet how a bank creates money. • Illustrate multiple deposit expansion with simple balance sheets. • Identify the monetary multiplier.

14	Interest Rates and Monetary Policy	<ul style="list-style-type: none"> ● Interest Rates ● Tools of Monetary Policy ● Targeting the Federal Funds Rate ● Monetary Policy, Real GDP, and the Price Level ● Monetary Policy: Evaluation and Issues 	<ul style="list-style-type: none"> ● Analyze the demand for money. ● Use a money demand and supply model to illustrate how the equilibrium interest rate is determined. ● Explain how the Federal Reserve uses each of its tools to influence the money-creating abilities of the commercial banking system. ● Define the federal funds rate. ● Explain how monetary policy that focuses on targeting the federal funds rate works. ● Using a cause-effect chain, show how monetary policy impacts the economy at large. ● Analyze problems and complications associated with monetary policy.
15	Extending the Analysis of Aggregate Supply	<ul style="list-style-type: none"> ● From Short Run to Long Run ● Applying the AD-AS Model ● The Inflation-Unemployment Relationship ● The Long-Run Phillips Curve ● Taxation and Aggregate Supply 	<ul style="list-style-type: none"> ● Compare and contrast short- and long-run equilibrium in the AD-AS model. ● Apply the extended AD-AS model to real-world issues and problems. ● Define and analyze the Phillips Curve. ● Explain and graphically illustrate the impact of supply shocks on the Phillips Curve. ● Compare and contrast the short- and long-run Phillips Curve. ● Present the argument made by "supply-side economists."
16	Economic Growth	<ul style="list-style-type: none"> ● Ingredients of Growth ● Production Possibilities Analysis ● Accounting for Growth ● The New Productivity Acceleration: A New Economy? ● Is Growth Desirable 	<ul style="list-style-type: none"> ● Identify the main ingredients of economic growth. ● Analyze economic growth using the production possibilities curve. ● Analyze economic growth using the AD-AS model. ● Present an accounting for economic growth. ● Explain the relationship between accelerating

		and Sustainable?	<p>productivity and economic growth.</p> <ul style="list-style-type: none"> ● Present an argument in favor of economic growth. ● Present an argument against economic growth.
17	Disputes Over Macro Theory and Policy	<ul style="list-style-type: none"> ● Some History: Classical Economics and Keynes ● What Causes Macro Instability? ● Does the Economy "Self-Correct"? ● Rules or Discretion 	<ul style="list-style-type: none"> ● Analyze the Classical view of an AD-AS model. ● Analyze the Keynesian view of an AD-AS model. ● Outline the main causes of macro instability. ● Explain and graphically illustrate the "New Classical View of Self-Correction." ● Explain and graphically illustrate the "Mainstream View of Self-Correction." ● State and graphically illustrate an argument in defense of policy rules. ● State and graphically illustrate an argument in defense of discretionary stabilization policy.
18	International Trade	<ul style="list-style-type: none"> ● Some Current Statistics ● The Economic Basis for Trade ● Comparative Advantage ● Supply and Demand Analysis of Exports and Imports ● Trade Barriers ● The Case for Protection ● Offshoring 	<ul style="list-style-type: none"> ● Present current statistics regarding U.S. international trade. ● Present the economic basis for trade. ● Determine comparative advantage from information implicit in two PPCs. ● Determine terms of trade from information implicit in two PPCs. ● Determine gains from trade from information implicit in two PPCs. ● Delineate a case for free trade. ● Use a demand and supply diagram to show that as world prices increase relative to domestic prices, U.S. exports rise. ● Use a demand and supply diagram to show that as world prices decrease relative to

			<p>domestic prices, U.S. imports rise.</p> <ul style="list-style-type: none"> Analyze the economic impact of trade barriers.
19	Exchange Rates, the Balance of Payments, and Trade Deficits	<ul style="list-style-type: none"> The Balance of Payments Flexible Exchange Rates Fixed Exchange Rates International Exchange Rate Systems Recent U.S. Trade Deficits 	<ul style="list-style-type: none"> Explain the Balance of Payments in terms of each of its accounts. Analyze the offsetting transactions that cause the Balance of Payments to always sum to zero. Use demand and supply diagrams to illustrate currency appreciation and depreciation. List the determinants of exchange rates. State the case for flexible exchange rates and potential problems with this case. State the case for fixed exchange rates and potential problems with this case. Compare and contrast the various international exchange rate systems. Analyze recent U.S. trade deficits.
20	Review	<ul style="list-style-type: none"> Review 	<ul style="list-style-type: none"> Macroeconomics Concepts Economic Decision Makers Supply and Demand Economic Outcomes Measuring Economic Outcomes The Business Cycle Growth and Unemployment Inflation Inflation and Unemployment Aggregate Expenditures Aggregate Supply and Demand Fiscal Policy Monetary and Financial Institutions Monetary Policy and the Federal Reserve Deficits and Surpluses National Debt

