

Masaryk University

Department of Economics

Macroeconomics

Instructor: Mark Tomass, Ph.D.

Syllabus

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Course Objectives

This course introduces fundamental concepts of macroeconomic theory and outlines its relation to the behavior of economic variables that concern the business world. It explains how people's activities determine a country's level of output, employment, and prices. It examines the causes of the business cycle and the role government monetary and fiscal policies in determining the level business activities. It explains the behavior of the banking system and the active role of the financial system in determining the level of output. In analyzing economic activity, the course incorporates variables from the international sector, such as foreign exchange rates and international trade. A central feature of this course is the constant linking of the theory being developed with applications of current interest. Thus, the course aims to cater adequately to those of you whose interest lie in applied economics, while not sacrificing theoretical standards appropriate for an undergraduate program.

Learning Outcomes

Upon completion of this course, students should be able to:

1. Understand how national output is measured.
2. Understand the causes and consequences of inflation.
3. Understand the causes and consequences of unemployment.
4. Understand the causes and consequences of business cycles.
5. Understand the basic operations of the banking system.
6. Understand how interest rates and exchange rates are determined.
8. and participate in current debates in the media on major economic issues facing your nation and the world.
9. Develop a correct understanding of the way in which the economy functions to make informed business decisions.
10. Navigate with clear thinking in the complex economic and political relationships that shape our constantly changing world.

Course Content

I. Macroeconomic Concepts

1. The concept of Gross Domestic Product (GDP) as a measure the level of economic activity.
2. What is the difference between Gross Domestic Product (GDP) and Gross National Product (GNP)?
3. The relationship between production, distribution, and consumption.
4. The use of an Aggregate Demand and Aggregate Supply framework to determine output and price levels.

Readings:

Text: chapter 23.

II. How Do We Measure the Level of Output?

1. What is the difference between Real and Nominal GNP/GDP?
2. What are the transactions that GDP does not include?
3. Looking at the components of GDP as an aggregate of expenditures.
4. Looking at the components of GDP as an aggregate of incomes.
5. How do we acquire the magnitude of disposable income from GDP.

Readings:

Text: chapter 24.

III. The Causes and Consequences of Unemployment

1. Why does the volume of output fluctuate over time or why do we have business cycles?
2. What are the different kinds of unemployment and their causes?
3. Are their “social” costs to unemployment?
4. What determines the rate of economic growth in a country?

Readings:

Text: chapter 31.

IV. The Causes and Consequences of Inflation

1. Defining inflation
2. Measuring inflation: CPI vs. GDP Deflator
3. What is the difference between a change in the price level and a change in relative prices?
4. What are the causes of inflation?
5. How does inflation affect the distribution of income?
6. How does inflation affect the overall functioning of an economy?

Readings:

Text: chapter 32.

V. The Multiplier Process

1. The construction of an income-expenditures model (cross diagram) of the determination of the level of real GDP.

2. The income-expenditures model and the multiplier effect
3. The international sector and the domestic level of output

Readings:

Text: chapter 27.

VI. Aggregate Demand and Aggregate Supply Analysis

1. The Aggregate Demand/ Aggregate Supply framework and the Classical explanation of the determinants of economic activity.
2. The Aggregate Demand/ Aggregate Supply framework and the Keynesian explanation of the determinants of economic activity
3. The causes of stagflation
4. How do variations in exchange rates affect economic activity?

Readings:

Text: chapter 26.

VII. Money and Central Banks

1. What is money?
2. Who creates money and who creates currency and how?
3. What is the role of central banks in controlling the supply of money?

Readings:

Text: Chapters 28 & 29.

VIII. Issues in Monetary Theory and Policy

1. The demand for money.
2. How are interest rates determined?
3. The role monetary policy in combating economic instability.
4. The Equation of Exchange as a method of determining nominal GNP.
5. How are exchange rates determined?

Readings:

Text: chapter 29.

IX. Issues in Fiscal Policy

1. The role fiscal policy in combating economic instability.
2. What are the implications of budget deficits?

Readings:

Text: chapter 34.

Dates of Final Exam:

First Attempt: **November 2**
Second Attempt: **November 4**
Third Attempt: **To be announced**

General Course Policies and Rules

Course Requirements

Final Exam¹.....100 points

Grading Scale

Letter Grade	Percent (%)	Generally Accepted Meaning
A	91-100	Outstanding work
B	81-90	Good work, distinctly above average
C	71-80	Acceptable work
D	66-70	Below average work
E	60-65	Minimum standard work
F	0-59	Work that does not meet minimum standards for passing the course

¹ The final exam is 90 minutes long. Depending on the class size, it is either in short questions form or in multiple choice form. The questions are based on material covered in the text, lecture note summaries, or lectures. They are based on these materials, but they are not identical to them. Exam questions do not ask you to reproduce the same information that you find in these materials. They ask you to analyze situations with a method derived from the material that you discussed in class or which are covered in the text. Therefore, do not be surprised if I ask you to respond to a question that is not illustrated in the text or in the summaries of the lecture notes.

Class Discussion

Quality class participation is an important element of creating an enjoyable atmosphere in the class. The quality of your participation is reflected in your careful reading of the text, thoughtful reflection, and constructive comments. It is also important to build on each other's comments, which means attentive listening.

Make-up Exams

Make-up exams will be given only if a medical report is presented showing that you will not or were not capable of taking an exam. If you miss an exam you will receive a zero grade. For other rare emergencies, you must present a request in writing explaining the reason for an absence. I will review your note and let you know if your excuse is acceptable. Exams are given twice. If you are not satisfied with your performance in the first exam, then work harder for the second exam. If you take the second exam, your new grade will be based on the average of the two exams. You may therefore risk a lower final grade if you perform badly on the second attempt.

Etiquette of Grade Disputing

You are encouraged to discuss your performance in any exam. This is done in my office during the designated office hours or by setting up an appointment with me if my office hours do not suit you. I will not discuss a dispute over a grade in class, especially in the same day after I handed you your exam. You ought to review your exam after you get home and consult the text first. Then if you still have a concern to debate with me, please do it in my office. You are also welcome to review your exam with me even if you have no desire to dispute your grade.

Attendance Policy

There is no formal policy regarding your class attendance; however, it is doubtful that you will perform well in the class with frequent absences. I may record attendance during each session in case an advisor inquires about you.

Tardiness or leaving the class early

Try to arrive in class five minutes before it starts in order to review your latest notes and get ready for the new material. Late arrivals are distracting to me and to your fellow students. If you have a good reason to leave the class before it ends, let me know before the class starts and sit next to the nearest exit so that you cause a minimum distraction.

How to maximize learning potentials in studying economics:

Some obvious notes for first-time students of economics

Economics is a social science that applies deductive logic to facts in order to deduce laws of efficient decision making. Its complexity arises from the syntheses of many simple laws that operate simultaneously. Your success in this course depends on your ability to synthesize these laws correctly and on your familiarity with the definitions of the terms used to describe the relevant facts. If this is your first course in economics, I suggest that you read the section below in order to maximize your learning experience:

First, read each assigned chapter before you come to class and highlight the concepts, phrases, and ideas that you had difficulties in comprehending. This is a very important part of your preparation for the course because attending class will not substitute for reading the textbook. You need to work on the material independently in order to become familiar with the logic of economic reasoning.

Second, participate in class discussion. Do not hesitate to ask about the definition of a term that is being used in the presentation. Key definitions are crucial to comprehending the lecture material. Be certain to identify any possible weaknesses you may have towards any topic.

Third, concentrate on my presentation while you are in the class. Referring back and forth to the textbook may be a confusing process. After class, get back to those issues which you highlighted and see if you now have a better understanding of them. If not, make sure that you ask me to clarify whatever you are unclear about in the next class. If you feel uncomfortable about asking questions in class, please feel free to consult me after the class is over, or during my office hours.

Fourth, the lectures are interdependent and will gradually become more complex. Therefore, if you do not deal with any difficulties promptly, you will fall behind the class and feel confused as the rest of the class progresses. Try to be in the forefront. Do not wait for the last class meeting to ask for help. It may then be too late. Always remember that my cooperation will improve your performance only if you are willing to work hard independently.