

MONTGOMERY COLLEGE
Department of Business and Economics
Rockville Campus

EC 201 Principles of Economics I (MACROECONOMICS)

CREDIT HOURS: 3

COURSE OUTLINE

PURPOSE AND DESCRIPTION

This course offers introductory theoretical and applied macroeconomics. The fundamental concepts, principles, institutions, and practices of macroeconomics will be explained and discussed. The course is intended to provide the student with an understanding of the basic macroeconomic problems of output, employment, income, and price stability. In addition, the different policy measures which can be used to deal with such problems will be explained.

PREREQUISITES

- a. High school algebra or its equivalent.
- b. Assessment levels: EN 101/101A; MA 100; RD 110

FORMAT

All class sessions will be lecture sessions. Student participation in class discussions is expected.

TEXTBOOK

McConnell, Campbell R. and Brue, Stanley L., Economics, 17th edition. New York: McGraw-Hill/Irwin, 2008.

SUPPLEMENTAL MATERIAL

Walstad, William B., Study Guide for use with McConnell and Brue Economics, 17th edition. New York: McGraw-Hill/Irwin, 2008.

SCOPE

THIS COURSE IS NOT LIMITED BY THE TEXTBOOK.

LECTURE SEQUENCE

- I. INTRODUCTION (Chapters 1, 2, and 3)
 - a. The Meaning of Economics
 - b. Resources, Wants, and Technology
 - c. The Five Central Economic Problems
 - d. Macroeconomics and Microeconomics
 - e. Types of Economic Systems
 - f. Methodology of Economics
 - g. Institutions and Assumptions of Capitalism
 - h. The Circular Flow of Economic Activity
 - i. Demand and Supply Analysis
 - j. The Price System

- II. ELEMENTS OF THE AMERICAN ECONOMY (Chapters 4 and 5)
 - a. The Private Sector
 - b. The Public Sector
 - c. The Foreign Sector
- III. NATIONAL INCOME ACCOUNTING (Chapter 6)
 - a. Measuring the Economy's Performance
 - b. The Expenditure Approach to Determining the GDP
 - c. The Income Approach to Determining the GDP
 - d. The Value-Added Approach to Determining the GDP
- IV. ECONOMIC FLUCTUATIONS (Chapter 7)
 - a. Economic Indicators
 - b. Business Cycles
 - c. Unemployment
 - d. Price Instability
 - e. Macroeconomic Goals
- V. THEORIES OF OUTPUT AND EMPLOYMENT (Chapters 8, 9, and 10)
 - a. The Classical Theory of Employment
 - b. The Keynesian Theory of Employment
 - c. Equilibrium Output – The Keynesian Model
 - d. Multiplier Analysis
 - e. Aggregate Demand and Aggregate Supply
 - f. The Determination of Equilibrium Real Output
- VI. FISCAL POLICY (Chapter 11)
 - a. Tools of Fiscal Policy
 - b. The Effects of Fiscal Policy on Domestic Output, Employment, Income, and Prices
- VII. MONEY, BANKING, AND MONETARY POLICY (Chapters 12, 13, and 14)
 - a. Money
 - b. The United States Financial System
 - c. How Banks Create Money
 - d. The Effects of Monetary Policy on Domestic Output, Employment, Income, and Prices
- VIII. THE EXTERNAL SECTOR (Lecture)
 - a. International Trade
 - b. The Effects of Exports on Output, Employment, Income, and Prices
 - c. The Effects of Imports on Output, Employment, Income, and Prices
- IX. CURRENT MACROECONOMIC PROBLEMS AND POLICIES (Chapters 15 and 17)
 - a. Controversies over Stabilization Policies
 - b. Stagflation
 - c. Incomes Policy
 - d. Labor-Market Policies
 - e. Supply-side Economics
 - f. Reaganomics
 - g. The Budget Deficit and the National Debt
- X. ECONOMIC GROWTH (Chapter 16)
 - a. Factors which Affect Economic Growth
 - b. Growth Problems in Developing Countries

COVERAGE OF TOPICS

The extent of treatment of each topic which is included in Roman numerals I through X is the prerogative of the professor.

SPECIFIC OUTCOMES

Upon completion of this course, a student will be able to:

1. Apply basic economic concepts such as scarcity, opportunity cost, comparative advantage, etc. to everyday life situations.
2. Use the market model to explain how prices and quantities are bought and sold and how resources are allocated.
3. Explain the basic structure of capitalism and contrast this system with alternative economic systems.
4. Explain how the macroeconomic problems of unemployment and inflation are defined and measured.
5. Explain what money is, how it is created and how the US banking system operates.
6. Use the model of aggregate supply and demand to explain how unemployment and inflation may occur and how they can be mitigated by government policy.
7. Describe the primary purposes, limitations, and controversies regarding the use of fiscal and monetary policies.
8. Describe the factors that effect economic growth and the challenges facing both developed and less developed countries as they pursue economic growth.
9. Explain the concept of globalization and its impact on the domestic economy.
10. Describe what the GDP of a country represents, the components of GDP, the different approaches to calculating GDP, and the shortcomings of GDP as a measure of quality of life.

GRADE

Grades will be assigned as follows:

<u>Percentage Earned</u>	<u>Grade Earned</u>
90 – 100	A
80 – 89	B
70 – 79	C
60 – 69	D
Less than 60	F

DEPARTMENT

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