

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

C O U R S E O U T L I N E

Course Title:- MACROECONOMICS

Code No.:- ECN 104

Program:- ACC'TING/BUS./PRO./GEN.ED

Semester:- TWO

Date:- 1995 06 13

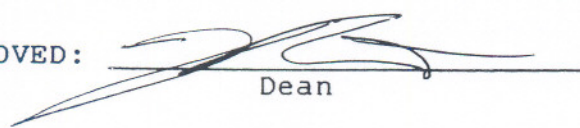
Author:- Prof. J. LUCCHETTI

Office:- E-4680

Telephone:- 759-2554 Ext. 678

New: _____ Revision: X

APPROVED:


Dean

Date:

Aug 14/95

INTRODUCTION:

Economics is an interesting, newsworthy and sometimes contentious subject which is very relevant to all of us, in every walk of life. No other subject affects us as much in our daily lives as we engage in various activities to earn a living and enjoy life.

This course is designed to provide the student with the knowledge of the basic economic terms and concepts as they apply to the contemporary economy and economic problems of Canada.

While economics is sometimes complex, it is not difficult and this course will attempt to discuss this subject in a relevant and interesting manner.

GENERAL OBJECTIVES:

1. To introduce students to basic economic terms and concepts.
2. To define the concepts of supply and demand and examine the role they play in determining market prices.
3. To provide students with the knowledge of consumption, savings and investment, and their significance in economic activity.
4. To examine the major Macroeconomic goals and the role the government plays in attempting to achieve these goals.
5. To examine economic instability and the "multiplier effect."
6. To discuss how the government may use fiscal policy and monetary policy in an attempt to influence economic activity.
7. To explain in some detail, inflation, its causes, policies to control inflation and the problem of stagflation.
8. To explore other Macroeconomic topics such as unemployment and its causes, demand and supply shifters, Classical and Keynesian views of Macroeconomics, etc.
9. To provide students with the knowledge of some of Canada's current economic problems in order that the students may draw their own conclusions concerning the problems and possible solutions.

GENERAL EDUCATION REQUIREMENTS

This course meets the general education criteria as follows:

Duration:

This course is three hours per week for 16 weeks.

Meeting Societal Challenges:

This course will contribute to the student becoming an informed citizen as the material will examine a number of important economic issues. Some of these issues will include unemployment, inflation, scarce resources, supply & demand, and the role of government in the economy.

Student's personal growth will be enhanced in the following ways:

a. Students will be encouraged to listen to the broadcast media and read newspapers, etc. for economic and business news.

b. Students will be given opportunities to discuss current economic issues along with the theory. This will enable them to share and discuss different points of view.

c. Assignments and discussions will help students develop skills in problem solving, decision making and critical thinking.

Historical, Theoretical, & Contemporary:

a. Historical Context - This course will examine the development of economic concepts focusing on those of Adam Smith and John Maynard Keynes. It will also look at the role of government in the past, economic progress, past recessions/depressions, the origin of commercial banking, the founding of the Bank of Canada, and the barter system.

b. Theoretical Basis - In addition to the basic economic terms, this course will include the Classical and Keynesian theories of aggregate supply and aggregate demand, equilibrium, and economic adjustments. It will also examine more contemporary theories of monetary and fiscal policies, unemployment and inflation.

c. Application to Contemporary Life - Current economic issues such as unemployment, inflation, taxation, free trade, etc. will be discussed to help students understand the application and relevance of the economic theory. Students will be required to read, listen, and watch news items to enhance this process.

Support Continuous Learning:

Economics is not an exact science. It, therefore, does not always provide a clear and definite answer. This will help students develop critical thinking and problem solving skills as they examine and discuss various alternatives. Communication skills will also be developed as the students express their views related to the economic theory and contemporary issues. These skill may be used in other areas of study and in the students daily lives.

Evaluation & Teaching Methods:

The course material may be covered in a variety of methods including readings, lectures, discussions, case studies, and group work, if appropriate.

Evaluation will include assignments, quizzes, and tests. The quizzes and tests will be essay and objective type instruments.

CSAC Goals:

a. Civic Life - this course will help develop an understanding of the difficult role the government plays in the economy. It will include material on the major economic goals, monetary and fiscal policies and the political aspects of economics.

b. Personal Development - knowledge and application of basic economic theory can assist an individual in achieving a standard of well-being and provide useful information related to financial planning. This course will also assist students in becoming more aware and understanding various events which occur nationally and internationally.

c. Social Understanding - many of the social problems we face in Canada are economic problems. This course will focus on some of these problems and help students draw some conclusions with regard to a better understanding of these problems and possible solutions.

d. Work and the Economy - this course contains elements involving social and cultural attitudes towards work and the changing nature of work and the economy. Specific content in this area will include government and the economy, changes in employment, free trade, paid and unpaid labour, etc.

Broad Contexts:

This course is offered at an introductory, general level and will be of interest and benefit to all students. Whether we like it or not, all of us, regardless of occupation, income level, sex, etc. are involved in the economy. We are required to make many economic decisions, and we are affected by economic decisions of others.

METHODOLOGY:

A variety of methods may be employed to cover the course content. These may include lecture, discussion and study groups, depending on the size of the class and the commitment and involvement of the students. Students will be required to read and understand the relevant chapters of the textbook and other assigned readings.

Student projects and/or other assignments will also be required.

EVALUATION & MARKING SCHEME:

Students will be evaluated on the following basis:

- Projects, assignments, and quizzes	20%
- First test	20%
- Second test	25%
- Final test (semester work)	35%
TOTAL	<hr/> 100%

TESTS:

All tests will consist primarily of essay questions. Some multiple choice questions (or other objective type questions) may be used to complement and extend the test areas.

Dates of the tests will be announced approximately one week in advance. Students are required to take the tests as scheduled.

If a student is not able to write a test because of illness, or a legitimate emergency, that student must contact the professor prior to the test and provide an explanation which is acceptable to the professor. (Medical certificates or other appropriate proof may be required.)

Following the student's return to the college, he/she must request, in writing, to make up for the missed test. This request will be in proper letter form and outline the reasons for requesting special considerations. Making such a request does not guarantee that the student will receive permission to make up for the missed test. The professor will consider the request, and if permission is granted, the test will be given at the end of the semester, or at some other time at the professor's convenience. This is to allow time for the student to prepare for the test without missing important work and to allow time for the professor to prepare a new test.

Such requests must be made within one week of returning to the College. In considering the request, the professor will take a number of factors into consideration. These will include, but not limited to, the student's attendance, completion of all other quizzes, tests, assignments, etc. and the likelihood of the student being successful.

In all other cases, the student will receive a mark of zero for that test.

THERE WILL BE NO REWRITES OF INDIVIDUAL TESTS.

QUIZZES:

Quizzes may, or may not, be announced in advance. If a student misses a quiz, he/she will receive a zero for that quiz. No make-up quizzes will be given. Consideration may be given to students who miss a quiz but who made some arrangements in advance.

Final Grade:

The final grade will be based on the following scale:

- 90% and more	"A+"
- 80% to 89%	"A"
- 70% to 79%	"B"
- 60% to 69%	"C"
- 59% or less	"R"

Each student must meet the following requirements in order to complete this course successfully:

1. Must complete, in a fashion acceptable to the professor, all projects and other assignments.
3. Must write two tests and the final exam. If a student misses a test, or the final exam, and has not made appropriate arrangements as above, he/she will receive a mark of zero for that test/exam.
3. Must have an overall mark of 60%. This mark includes all work in the semester.

Students who are not successful in achieving the minimum mark of 60% and/or do not complete the required assignments in an acceptable fashion, as they are due, will repeat the course.

THERE WILL BE NO SUPPLEMENTARY TESTS.

RESOURCE MATERIAL:

Principal Text: Macroeconomics (Fourth Edition); Blomqvist, Wonnacott, Wonnacott, & Fried
McGraw - Hill Ryerson Ltd., 1994.

(Study Guide - strongly recommended)

- Support Material:
1. Economics: A Problem Solving Approach, Third Edition;
Elijah M. James, Prentice-Hall
Canada, Inc., 1994.
 2. Current newspapers and periodicals
and other appropriate material.

ASSIGNMENTS, PROJECTS, QUESTIONS, ETC.:

All assignments, projects, questions, etc. must be submitted to the professor at the beginning of class on the due date. If no class is scheduled on the due date, students are required to deliver the assignments to the professor's office, by the designated time. Assignments may be submitted in advance; normally assignments will not be accepted after the stated deadline. If assignments are accepted late, a penalty will be assessed. It is the student's responsibility to ensure the professor gets his/her completed assignment.

Questions assigned for homework must be completed promptly and be available at any time to be submitted for evaluation. They, too, will be collected at the beginning of class. Materials not submitted in accordance with these requirements and where no arrangements have been made, will be given a mark of zero.

RETURN OF STUDENTS' WORK:

Quizzes, tests, assignments, projects, etc. will be returned to students during one of the normal class times. Any student not present at that time must pick up his/her test, etc. at the professor's office within three weeks after that class. Tests, etc. not picked up within the three weeks will be discarded. End of semester tests, assignments, etc. will be held for three weeks. If they have not been picked up by students within that three-week period, the tests, assignments, etc. will be discarded.

Tests, etc. will be returned only to those students to whom they belong. In limited circumstances, tests, etc. may be given to another student, if the student to whom they belong provides written instructions to the professor requesting that the tests, etc. be given to a particular individual.

ASSISTANCE IS ALWAYS AVAILABLE:

IT WILL BE TO THE STUDENTS' ADVANTAGE TO HAVE ANY QUESTIONS, CONCERNS, OR PROBLEMS RELATED TO THIS COURSE RESOLVED AS SOON AS POSSIBLE. IF YOU REQUIRE ANY ASSISTANCE, SEE YOUR PROFESSOR. HE WILL BE MORE THAN HAPPY TO HELP.

Review classes will be held as deemed necessary by the professor. Tutorials held outside of class time may also be arranged at the mutual convenience of the students and the professor. These review classes and tutorials are not to be used as an opportunity to miss classes.

Students are urged to ask questions and participate in the class discussions. This will enable the student to clarify any issue and also to participate in and contribute to the class discussions.

Students are also encouraged to read newspapers, magazines, etc. and to tune in to the radio and television newscasts for economic and business news. This will make economics more understandable, interesting, and practical. It will provide the opportunity for the student to better apply the theory and to enhance his/her opportunity for success in this course.

PLEASE KEEP IN MIND THAT ECONOMICS IS NOT A "SPECTATOR SPORT." STUDENTS MUST DO THE REQUIRED WORK IF THEY EXPECT TO BE SUCCESSFUL.

MACROECONOMICS
COURSE OUTLINE - CONTENT SCHEDULE

Subject to change, the following is a proposed schedule of subjects which will be included in the instructions. They are not necessarily the only subjects to be taught but rather the major areas to be covered and are presented to indicate the overall, general direction of the course.

<u>UNIT</u>	<u>SUBJECT</u>	<u>REQUIRED READINGS</u>
1	<u>Economic Problems & Goals</u> -economics defined -economic growth, questions & problems -role of government -five economic goals & interrelationships -economic diagrams (appendix)	Chapter 1
2	<u>Scarcity & Choice:</u> <u>The Economic Problem</u> -what is scarcity -factors of production -entrepreneurial ability -production possibilities -opportunity costs -economic growth -economic development -positive & normative economics	Chapter 2
	<u>Specialization, Exchange & Money</u> -barter system -monetary system -characteristics of money -Gresham's Law -absolute & comparative advantage -economies of scale -economies of scale & the Canadian & U.S. free-trade agreement	Chapter 3
3	<u>Demand & Supply:</u> <u>The Market Mechanism</u> -three basic economic questions -market & government & economic systems -market mechanism & role of prices -types of competition -demand & quantity demanded -supply & quantity supplied -shifts in demand and supply -the interconnected questions -price controls (problems) -market strengths & limitations	Chapter 4

- 4 Economic Role of Government Chapter 5
- how gov't influences the economy
 - growth in government spending
 - gov't purchases vs. transfers
 - budgets of Canadian Governments
 - provincial & local gov't expenditures
 - government receipts
 - inter-governmental transfers
 - government regulations
 - public enterprises
 - five roles of government
 - taxation
 - tax reform in the 1980s
- 5 Measuring Domestic and National Product and Income Chapter 6
- gross national product
 - gross domestic product
 - two approaches: expenditures & income
 - national income
 - value added concept
 - GNP/GDP categories
 - income measures
 - real & nominal GNP
 - complication of depreciation
 - GNP limitations
 - income measures
 - consumer price index
- 6 Fluctuations in Economic Activity: Business Cycles & Unemployment Chapter 7
- four phases of business cycle
 - seasonal adjusted data
 - the great depression
 - unemployment & inflation
 - consumption, investment & net exports in recessions
 - unemployment
 - who are the unemployed
 - types of unemployment
 - NAFTA & unemployment
 - full employment
 - costs of recessions & unemployment
- 7 Explaining Unemployment & Inflation: Aggregate Supply and Demand Chapter 8
- aggregate concept
 - purchasing power
 - classical approach
 - Keynesian approach
 - areas of agreement
 - areas of disagreement

7 & 8

The Basic Model of Aggregate Demand:
The Keynesian Approach

Chapter 9

- personal consumption
- saving function
- marginal propensity to consume
- marginal propensity to save
- saving & investment
- leakages & injections
- equilibrium
- the multiplier
- Paradox of Thrift (Appendix 9-B)

9

Aggregate Demand: The Effects of
Fiscal Policy & Foreign Trade

Chapter 10

- fiscal policy
- gov't finances & aggregate expenditures
- restrictive fiscal policies
- taxes
- exports & imports
- injections & leakages
- automatic stabilizers
- complications
- burden of public debt
- burden of deficit & debt
- can the gov't go broke?
- issue of restraint

10

Money and the Banking System

Chapter 11

- monetary policy
- functions of money
- money in the Canadian economy
- banking as a business
- bank runs
- the Bank of Canada
- chartered banks
- required reserves
- creation of money
- how cheques are cleared
- deposits in non-banks

Bank of Canada and Tools of Monetary
Policy

Chapter 12

- the tools of monetary policy
- why are statutory reserve requirements
being abolished
- Canada Deposit Insurance Corp.
- what backs our money
- why not gold

- 11 Monetary or Fiscal Policy:
The Closed Economy Case Chapter 13
- monetary policy - Keynesian view
 - monetary policy - classical view
 - crowding out
 - problems with monetary policy
 - asymmetrical effect
 - case for monetary & fiscal policies being used together
- 12 Stabilization Policy with
International Transactions:
The Open Economy Chapter 14
- problems with trade
 - foreign exchange, rates & markets
 - balance of payments
 - value of the Canadian dollar
 - fixed or flexible exchange rates
 - fiscal & monetary policies and balance of payments
- 13 Aggregate Supply: The Inflation
and Unemployment Problems Chapter 15
- Philips curve
 - trade-off
 - stagflation
 - high inflation and unemployment
 - cost push inflation
 - demand pull inflation
 - price-wage spiral
 - limiting the rate of inflation
 - unwinding inflation expectations
- 14 The Cost of Inflation Chapter 16
- losers & winners
 - real rate of interest
 - inflation & front loading of debt
 - inflation & the tax system
 - effects on business
 - inflation & uncertainty
 - indexed wages
 - deficit
- Fine-Tuning or Stable Policy
Settings Chapter 17
- discretionary policies
 - lags
 - an alternative target
 - forecasting
 - turning points

15

Productivity and Growth:
An International Perspective

Chapter 18

- productivity & growth
- sources of productivity changes
- international comparisons
- vicious circle of poverty

Note:

Additional required readings may be assigned as the course progresses.

THE ABOVE SCHEDULE WILL BE INTERRUPTED BY TESTS, QUIZZES AND ASSIGNMENTS AND IS SUBJECT TO CHANGE FOR OTHER REASONS.

IT WILL BE TO THE STUDENTS' ADVANTAGE TO HAVE ANY QUESTIONS, CONCERNS, OR PROBLEMS RELATED TO THIS COURSE RESOLVED AS SOON AS POSSIBLE. IF YOU REQUIRE ANY ASSISTANCE, SEE YOUR PROFESSOR. HE WILL BE MORE THAN HAPPY TO HELP.

Economics 104
ASSIGNED QUESTIONS

The following chapter questions are assigned for homework. They must be completed within one week of completing the chapter. Any or all of the assigned questions may be collected (at the beginning of a class) and evaluated any time after the due date.

<u>CHAPTER</u>	<u>PROBLEMS</u>
1	1,4
2	2,3,4
3	3,4
4	1,3,4,5
5	1,3
6	1,2,3,7
7	1,4
9	4
10	1
11	1,2,3,4
12	1,3
13	1,5
15	5
16	1
17	2,3