University of Hawaii at Manoa  
Department of Economics  

Economics 131 (004)  
Principles of Macroeconomics  
12:30-1:20 PM MWF, BUSAD A101  
Fall 2008  

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Office Hours: 3-4 PM, MW, or by appointment  
Saunders 537  

Required Texts: Principles of Macroeconomics, 7th edition  
by Karl E. Case and Ray C. Fair  

Course Description: This course introduces you to macroeconomic analysis. The course will examine how the entire economy operates and performs. It is designed to provide the students with tools to understand various macroeconomic phenomena, such as: changes in the general price level, employment, and national income; the causes and consequences of those changes; and what the government can do to promote the key macroeconomic goals of efficiency, equity, economic growth, and stability.  

Course Objectives: At the end of this course, the student must be: 1) familiar with general economic and macroeconomic terminology, concepts, and theories; 2) adept with the use of graphs and equations in analyzing general economic and macroeconomic problems; and 3) able to exercise logical economic reasoning by using macroeconomic concepts and theories to analyze real-world situations and events.  

Exams and Grading Policy:  

Midterm and Final Exams. There will be 3 exams in this class, including a comprehensive final exam. The two midterm exams and the final exam will all comprise 70% of the final grade. Students should expect different types of questions, such as modified true or false, multiple choice, defining terms, mathematical derivations, and essay questions, among others. The exams are designed to test the analytical skills of students on the topics discussed in class rather than their ability to memorize concepts, ideas, and terms. Though the reasoning stays the same, the questions should not be usually taken at face-value from the lectures given. Thus, logical and economic reasoning are powerful tools which will be needed in hurdling the exams.
**Quizzes.** There will be a number of unannounced quizzes during the course of the session which can be distributed at any time during the class. This strategy is targeted to reward students who come to class to listen to my lectures. True or false and multiple choice questions will be common in the short quizzes. The unannounced quizzes will comprise 20% of the final grade. No makeup quizzes will be given out to substitute for missed quizzes for whatever reason.

**Homeworks.** Finally, homework problem sets will be assigned towards the end of the discussion of every chapter covered in the book. Homeworks are due in class on the date it is to be submitted. Late homeworks will get corresponding deductions and may only be submitted as long as the homework answer key has not been handed out in class.

**Grading System:**

- First and Second Exams (20% each exam) 40%
- Final Exam 20%
- Unannounced Quizzes 15%
- Homeworks 15%
- Attendance 10%

**Important Dates:**

- Labor Day: September 1, Monday (No Class)
- First Midterm Exam: October 6, Monday
- Last Day of Restricted Withdrawals: October 24, Friday
- Second Midterm Exam: November 17, Monday
- Instructional Holiday: November 28, Friday (No Class)
- Last day of Class: December 10, Wednesday
- Final Exam: December 19, Friday
Introduction to Economics

I. The Scope and Method of Economics, Chapter 1
   A. Why Study Economics?
   B. The Scope of Economics
   C. The Method of Economics
   D. Appendix: How to Read and Understand Graphs (for self-study)

II. The Economic Problem: Scarcity and Choice, Chapter 2
   A. Scarcity, Choice, and Opportunity Cost
   B. Economic Systems

III. Demand, Supply, and Market Equilibrium, Chapter 3
   A. Firms and Households: The Basic Decision-Making Units
   B. Input Markets and Output Markets: The Circular Flow
   C. Demand in Product/Output Markets
   D. Supply in Product/Output Markets
   E. Market Equilibrium

IV. Demand and Supply Applications, Chapter 4
   A. The Price System: Rationing and Allocating Resources
   B. Supply and Demand Analysis: An Oil Import Fee

Concepts and Problems in Macroeconomics

V. Introduction to Macroeconomics, Chapter 5
   A. The Roots of Macroeconomics
   B. Macroeconomic Concerns
   C. Government in the Macroeconomy
   D. The Components of the Macroeconomy
   E. The Methodology of Macroeconomics
   F. The US Economy in the 20th Century: Trends and Cycles

VI. Measuring National Output and National Income, Chapter 6
   A. Gross Domestic Product (GDP)
   B. Calculating GDP
   C. From GDP to Disposable Income
   D. Nominal vs. Real GDP
   E. Limitations of the GDP Concept
VII. Long-Run and Short-Run Concerns: Growth, Productivity, Unemployment, and Inflation, Chapter 7

A. Long-Run Output and Productivity
B. Recessions, Depressions, and Unemployment
C. Inflation

First Midterm Exam: October 6, Monday
Tentative Coverage: Chapters 1-7

The Goods and Money Markets

VIII. Aggregate Expenditure and Equilibrium Output, Chapter 8

A. Aggregate Output and Aggregate Income
B. Equilibrium Aggregate Output
C. The Multiplier
D. Appendix: Deriving the Multiplier Algebraically

IX. The Government and Fiscal Policy, Chapter 9

A. Government in the Economy
B. Fiscal Policy at Work: Multiplier Effects
C. The Federal Budget
D. The Economy’s Influence on the Government Budget
E. Appendix A: Deriving the Fiscal Policy Multipliers

X. The Money Supply and the Federal Reserve System, Chapter 10

A. An Overview of Money
B. How Banks Create Money
C. The Federal Reserve System
D. How the Federal Reserve Controls the Money Supply

XI. Money Demand, the Equilibrium Interest Rate, and Monetary Policy, Chapter 11

A. The Demand for Money
B. The Equilibrium Interest Rate
C. Appendix B: The Demand for Money—A Numerical Example
Macroeconomic Analysis

XII. Money, the Interest Rate, and Output: Analysis and Policy, Chapter 12
   A. The Links between the Goods Market and the Money Market
   B. Combining the Goods Market and the Money Market
   C. Other Determinants of Planned Investment
   D. Appendix: The IS-LM Diagram

XIII. Aggregate Demand, Aggregate Supply, and Inflation, Chapter 13
   A. The Aggregate Demand Curve
   B. The Aggregate Supply Curve
   C. The Equilibrium Price Level
   D. The Long-Run Aggregate Supply Curve
   E. Aggregate Demand, Aggregate Supply, and Monetary and Fiscal Policy
   F. Causes of Inflation

Second Midterm Exam: November 17, Monday
Tentative Coverage: Chapters 8-13

XIV. Long-Run Growth, Chapter 18
   A. The Growth Process: from Agriculture to Industry
   B. The Sources of Economic Growth
   C. Growth and Productivity in the United States
   D. Economic Growth and Public Policy
   E. The Pros and Cons of Growth

International Economics

XV. International Trade, Comparative Advantage, and Protectionism, Chapter 20
   A. Trade Surpluses and Deficits:
   B. The Economic Basis for Trade: Comparative Advantage
   C. The Sources of Comparative Advantage
   D. Trade Barriers: Tariffs, Export Subsidies, and Quotas
   E. Free Trade or Protection?
XVI. Open-Economy Macroeconomics: The Balance of Payments and Exchange Rates, Chapter 21
(Discussion of this section will depend on time availability.)

A. The Balance of Payments
B. Equilibrium Output in an Open Economy
C. The Open Economy with Flexible Exchange Rates
D. Appendix: World Monetary System since 1900

Comprehensive Final Exam
December 19, Friday: 12-2 PM