

Economics 231 (Section 5)
Principles of Macroeconomics
8:00am-9:15am T TH—215 Stipes Hall
Department of Economics
College of Business and Technology
Accredited by AACSB International—The Association to
Advance Collegiate Schools of Business
SPRING 2010

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Office Hours: Monday 1:00-2:45pm
Tuesday 1:00-1:45pm
Wednesday 1:00-2:30pm
Other times by appointment. See note about office hours below.
Personal web page: <http://www.williampolley.com>
Web page for this course: <http://www.williampolley.com/econ231>

Texts

Cowen, Tyler and Tabarrok, Alex. Modern Principles: Macroeconomics. New York: Worth, 2010. **REQUIRED**

Occasional internet reading assignments based on current events will be posted on my web page from time to time. They will be announced in class and by e-mail.

E-mail and Web Policies

You are required to have a WIU e-mail account. I will send any e-mail to that account. If you have another account that you would rather use, you have two choices. You can set up your WIU account to forward to your other e-mail. Ask the UCSS Help Desk if you are unsure of how to do this.

The other option is to provide me with a 2nd e-mail address. However, I will continue to send to your WIU e-mail as a backup. If you do use a non-university e-mail address to receive messages from me, please set your “spam-blocking” settings such that my e-mails will not be bounced back. In most cases, this can be done by adding my e-mail address to your list of contacts or your address book.

Any important announcements regarding coursework will be sent by WIU e-mail and posted on the course web page. You should check your e-mail or the web page at least once between class sessions, preferably the day before. Some assignments may require the use of the Internet.

A Note About Office Hours

At the time of the writing of the syllabus, not all of my committee meeting schedules have been set. Furthermore, there are always unexpected events that may necessitate a change in office hours. In the event that I need to miss an office hour, I will notify you of that fact as soon as practicable either in class or by e-mail/web. I will offer additional office hours to make up for any that are missed.

In the event that a regular committee meeting or other university obligation must be repeatedly scheduled during one of my office hours, I will offer a revised set of office hours. The revised office hours will be sent by e-mail, posted on the web, and announced in class on no less than 3 successive class meetings.

Office hours are an important part of the instructor/student dynamic. You are encouraged to make use of them. In order to make the best use of your time and mine, you are encouraged to attempt to work the problems or other material on your own first. If you have made a good attempt and are still stuck, don't wait until it is too late and don't waste time spinning your wheels.

General questions about the course material are also welcome during office hours. If you find yourself falling behind, do not delay in asking questions. I cannot stress this enough. **Do not wait until you get behind. If you are having difficulty, talk to me first.** I know that many students go to tutors for help. That's fine, but see me first—I can sometimes suggest things for you to work on with a tutor.

A Note About Classroom Decorum

The learning process is more productive when there is a positive classroom environment. Part of the responsibility for maintaining that environment rests with you. What I ask is less for my benefit than for the benefit of your fellow students. I ask that you follow these simple guidelines.

- Turn off cell phones when in class. No text messaging either! If need to keep it on for emergencies (i.e. to get a message from your kid's school... *not* to find out where the party is), keep it on vibrate.
- Keep conversations to a minimum. If you have a question about the class, ask me—not your neighbor. No offense to your neighbor, but I'm more likely to give you the right answer. If it's not about the class, it can probably wait.
- If you know that you will have to leave in the middle of class, please sit on or as close to the side aisle as possible. Similarly if you come in late. The front row is usually relatively empty for late comers.
- Do not listen to your iPod or other portable music device in class.
- Do not read the newspaper in class. (I may remove this from my list since it has been years since a student has read the newspaper in class, but it used to be more common. Of course, this class meets on days when the *Courier* does not come out.)

- At the end of class, I typically make short announcements about what we will do next time, what is coming due in the near future, reading assignments, etc. PLEASE do not start putting on your coats and standing up while I am making these concluding announcements. These announcements are for YOUR benefit and the noise of just 10 people putting on their coats and rustling papers can make it very hard for the other 40 to hear. This is my most violated classroom rule! Break this one, and I will stop and wait for you all to sit down so that I can make the announcement, which just makes it take longer. Please, for the benefit of your classmates, just sit tight and listen.
- When in doubt, think about how your actions impact others in the class. If it distracts from or diminishes the classroom experience for your peers, don't do it. If you have a question or comment that would add to the classroom experience, do speak up. These rules are not meant to prove my authority (I don't need to) or to make life intolerable for you (I don't want to). They are to help insure that this 75 minute period can be utilized most efficiently and with the fewest senseless interruptions and distractions.

Goals and Objectives

For some of you, this is your first course in economics, and for most of you it is your first experience with macroeconomics taught at the college level. It is my first and foremost goal that you leave this course with a better understanding of the kinds of macroeconomic issues that you might read about in any newspaper or hear about on the evening news. Everything from the price of gasoline to the interest rate that you pay on your credit card is tied to the issues that we will discuss in this course. I hope that you will approach this course with an attitude of curiosity and ask questions frequently when you hear or read about things in the media that are relevant to our discussion. A separate handout elaborates on my goals for the course.

The Department of Economics has a number of learning objectives that apply to the macroeconomics curriculum—which begins with this course. Each successive course in macroeconomics considers some of the same issues but in more depth and detail. In this course, our goal is to give you a basic understanding of:

- The difference between real and nominal variables
- Aggregate demand and supply and the impact of changes to aggregate demand or supply
- The impact of changes in net exports or the exchange rate (international factors)
- The effect of policies on economic growth
- How the fractional banking system works
- The effect of monetary and fiscal policy, including the implications of budget deficits and how policymakers strive to attain full employment and price stability

Attendance Policy

For a long time I did not have an attendance policy under the assumption that attendance in class is what allows you to do well on exams. Attendance is its own reward. I would tell people that in my experience, people who attend regularly score an average of about one letter grade higher than people who miss class frequently. However, I fear that people did not believe me and missed class thinking that it would not affect their performance. I am especially worried about the temptation to skip an 8:00 class. So there will be points deducted for missing too much class.

Here's the policy: You can miss three days for any reason without penalty. After that, each unexcused absence results in a 3 point deduction from your total points (slightly more than 1% of your total grade). Excused absences do not result in point deductions or count against your three free days. See the section on exams for details on excused absences.

Special note on the University's H1N1 absence policy: I fully comply with the University's policy on excusing absences for flu-like symptoms. However, if you invoke that policy, you need to follow the policy yourself. That means you must e-mail all your instructors that you will be absent from class, e-mail SDO, and exclude yourself from classes and activities so as to not spread the disease. Abuse of the H1N1 policy leads to a lack of faith in the policy by everyone, and abuses will be subject to disciplinary action under the Academic Integrity Policy. If you have any questions about this, please ask.

Homework

Homework will be assigned from time to time. Assignments will be posted on the web usually between 1 and 2 weeks before they are due. I will announce the posting of a new homework in class, by e-mail, and on the web page. The homework assignments are meant to give you practice in doing the kind of problems that will be on the exams. I encourage the formation of study groups to work on the homework problems, but I ask that you each write up your own answers in your own words. There will be a total of 6 assignments. The due dates are listed below. They may consist of problems from the text and some of my own design. Each assignment is worth 10 points. The lowest score out of the 6 assignments will be dropped, meaning only 5 will count. Thus a total of 50 points are possible from homework.

Late homework is not accepted unless you can provide an acceptable excuse with written documentation associated with your absence from class on the due date and the absence was not something for which you could have prepared. (If you are in class on the due date, it is presumed that you could have completed the assignment in the 1 to 2 weeks you are given.) The evaluation of whether your absence was something for which you could have prepared is made on a case-by-case basis. For example, if you call me the morning that the assignment is due to say that you are too sick to come to class an extension will probably not be granted. However, if you call me from the hospital in your hometown 2 days before it is due, it is much more likely that you'll get an extension. Generally a homework extension would be no more than 2 business days. In any case where you let me know what is going on as far in advance as possible, I will work with you to suggest a course of action that is as fair as possible to you and to the rest of the class.

If you are late with one assignment or forget to do it, you can use that as the one you drop. I have found this method to work quite well because it doesn't penalize you for one honest mistake. However, if there is a pattern of late assignments, it will hurt your grade. Homework is due at the **beginning** of class as we might begin discussing the solutions in class that day. If you know you will be absent from class on the due date (for a university sponsored activity, for example), you are expected to turn in the homework *before* class.

There is one exception to the above policy in the interest of trying not to penalize honest mistakes too severely. If you simply forget to bring your homework to class, you may get it to me by 4:30pm that day for at most 1/2 credit. In order to get 1/2 credit this way, you need to tell me in class that you forgot your homework. If I do not have your homework by 4:30pm it is a zero.

Here is a schedule of assignments. See the page 6 for details about the 20 point essay.

Homework 1:	February 2 (TUES)
Homework 2:	February 23 (TUES)
Homework 3:	March 9 (TUES)
Homework 4:	April 1 (THURS)
Homework 5:	April 13 (TUES)
20 point essay (See page 6)	First Draft: April 22 (THURS), Final Draft: May 6 (THURS)
Homework 6:	May 4 (TUES)

Exams

Exams consist of multiple choice questions, problems, and short essays. Mini-exams are worth 30 points each. The midterm and final are worth 60 points each. Exam dates are as follows:

- Mini-Exam 1: February 9 (TUES) (Chapters 1-4)
 - Midterm Exam: March 11 (THURS) (Chapters 1-9)
 - Mini-Exam 2: April 15 (THURS) (Chapters 10-13)
 - Final Exam: 8:00am, May 11, (TUES) (Chapters 10-19)
- All exams are in the regular classroom.

Makeup Exams and Other Exam Policies

Makeup exams are given when there is an acceptable excuse for missing the exam. Written documentation is required. Serious illness and University sponsored activities are examples of acceptable excuses. Oversleeping or not being prepared are not acceptable excuses. You are expected to contact me at the earliest possible opportunity so that we can discuss the acceptability of your excuse and the type of documentation required. Simply not showing up for the exam and asking about the acceptability of the excuse and the type of documentation required may result in a zero for the exam. Examples of documentation include:

- For funerals: An obituary from the service that includes the name and address of the funeral home as well as the date of the service. Do not give me your only copy as I will keep the copy you give me.
- For university activities: A letter/note from the faculty adviser.

- For illness: A note from a doctor on official stationery or a prescription pad with the date and your name. A dated hospital discharge form is also sufficient. If you go to the Beu Health Center, a medical confirmation form will be issued if in their medical opinion it is necessary for you to miss class.
- For court appearances: Judgement papers or other documents signed and dated by the clerk of the court. For jury duty, obtain a verification of service from the jury supervisor.

The bottom line is that if you think you need to miss an exam, you need to talk to me as early as possible so that I can advise you on the type of documentation that is appropriate, especially if your absence does not fit neatly into one of these categories or if there are special considerations.

You are expected to be at the exam at the start of the class period. Latecomers without an acceptable excuse will ordinarily be allowed to sit for the exam but will not be given extra time. However, **no late arrivals will be allowed to sit for the exam if any student has already completed the exam and left the classroom.**

The mathematics required on the exams is simple arithmetic and algebra. Graphing calculators are not necessary and are not permitted. **Similarly, cell phone calculators are not allowed** (see note about classroom decorum).

Exams are closed book/notes. Please keep any books or notes out of sight during the exam and refrain from talking your classmates.

Written Essay Assignment

You are required to write a short essay on the current state of the economy. The essay should be in the neighborhood of 700 to 1500 words. This is about the length of an opinion page essay in a newspaper. The essay should be typed (double-spaced) with a minimum of 3 references taken from reputable news sources. For this assignment weblogs (“blogs”) are not acceptable as one of these three sources. However, there are a number of good blogs that intelligently discuss the economy. I will point some of these out in class. You can use the blogs as a way of finding good news articles. You can also use them (sparingly) as supporting sources in addition to having at least 3 mainstream media sources. The first draft is due **Thursday, April 22**, and the final draft is due **Thursday, May 6**. Additional guidelines will be handed out separately later. The essay is worth 20 points towards your final grade.

Please note that plagiarism is a serious offense. Any instances of plagiarism, cheating on exams, or other academic dishonesty will be dealt with according to established university procedures.

Extra Credit

Extra credit will be offered at the instructor’s discretion. If it is offered, it will take the form of a short assignment of either problems or an essay and will be due about a week after it is offered. Other specific details (such as the number of points it is worth) will be given at the time. Extra credit opportunities, if offered, will be posted on the web page, sent by e-mail, and announced in class.

Grades

Homework is worth a total of 50 points for the semester. Mini-exams are worth 30 points each. The midterm and final are worth 60 points each. The essay is worth 20 points. Thus, a total of 250 points are possible.

A	225 points or more (90%)
B	200-224 points (80%)
C	175-199 points (70%)
D	150-174 points (60%)
F	less than 150 points

Topical Schedule

The instructor reserves the right to modify the schedule as necessary. The material covered by the exams will change slightly if we get ahead or behind. Notice that these topics follow the chapters in the book quite closely. We may occasionally speed up or slow down from this pace as necessary.

- Class session 1: (January 19) Introduction, What is economics? The “big ideas” (Chapter 1)
- Class session 2: (January 21) More big ideas (Chapter 1)
- Class session 3: (January 26) Supply and demand I (Chapter 2)
- Class session 4: (January 28) Supply and demand II (Chapter 3)
- Class session 5: (February 2) Supply and demand III (Chapters 3 and 4) HW 1 due
- Class session 6: (February 4) Additional topics, discussion, catching up, and review
- Class session 7: (February 9) Mini-exam 1 chapters 1-4
- Class session 8: (February 11) Return exam, intro next section
- Class session 9: (February 16) GDP: What it is and why it is important (Chapter 5)
- Class session 10: (February 18) The wealth and poverty of nations (Chapter 6)
- Class session 11: (February 23) Additional topics on growth (finish Chapter 6 and intro chapter 7) HW 2 due
- Class session 12: (February 25) A simple growth model, and the importance of ideas (Chapter 7)
- Class session 13: (March 2) Investment and saving—bringing supply and demand to macro (Chapter 8)
- Class session 14: (March 4) The financial markets—why is it hard to beat the market? (Chapter 9)

- Class session 15: (March 9) Additional topics, discussion, catching up, and review; HW 3 due
- Class session 16: (March 11) Midterm exam chapter 1-9 (cumulative)
- Class session 17: (March 23) Return exam, intro next section
- Class session 18: (March 25) Labor markets, unemployment, social issues (Chapter 10)
- Class session 19: (March 30) Inflation—it's always and everywhere a monetary phenomenon! (Chapter 11)
- Class session 20: (April 1) Introduction to thinking about business cycles—overview of different approaches (Chapter 12) HW 4 due
- Class session 21: (April 6) Business cycles continued (Chapter 12)
- Class session 22: (April 8) The Great Depression (Chapter 12 and additional readings)
- Class session 23: (April 13) Modern approaches to business cycle theory (Chapter 13) HW 5 due
- Class session 24: (April 15) Mini-exam 2 (Chapters 10-13)
- Class session 25: (April 20) The Federal Reserve System—history, structure, and how it works (Chapter 14)
- Class session 26: (April 22) Monetary policy—the elusive goal of fostering stable growth with low inflation (Chapter 15) First draft of essay due
- Class session 27: (April 27) Federal budget matters—is the current path sustainable? (Chapter 16)
- Class session 28: (April 29) Fiscal policy—can it be effective? (Chapter 17)
- Class session 29: (May 4) Growth and globalization (selections from chapters 18 and 19 as time permits) HW 6 due
- Class session 30: (May 6) Review for final exam Final draft of essay due
- Final exam on Tuesday, May 11 at 8:00am (Chapters 10-19 cumulative)

In accordance with University policy and the Americans with Disabilities Act (ADA), academic accommodations may be made for any student who notifies faculty of a specific need for accommodation. For your instructor to provide you accommodation, you must request documentation of the need for an accommodation through Disability Support Services and provide it to your instructor. It is imperative that you take the initiative to bring such needs to the instructor's attention, as he/she is not legally permitted to inquire about such particular needs of students. Students who may require special assistance in emergency evacuations (i.e. fire, tornado, etc.) should contact the instructor as to the most appropriate procedures to follow in such an emergency. Contact Disability Support Services at 298-2512 for additional services. (<http://www.student.services.wiu.edu/dss/>)

Student Rights and Responsibilities Web Page: <http://www.wiu.edu/provost/student/>