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**ECONOMICS USA:
Macroeconomic Approach
POLAND 2010**

Course Description

An introduction to economic principles, policies, and problems, with emphasis on the macroeconomics theory, business fluctuations, economic growth, fiscal and monetary policies (lectures: 30 hours, student contacts: 30 hours)

Performance Objectives

Upon course completion students would be able to understand:

- Basic definitions and economic way of thinking
- Comparative economic systems and the globalization process
- Market mechanism: state the laws of demand and supply, explain the causes and predict the effects of changes in demand and supply on the equilibrium
- Macroeconomic markets and indicators of macroeconomic performance; GDP, unemployment and inflation
- Macroeconomic equilibrium (aggregate demand, aggregate supply, full employment output), business cycle (recessionary contraction and inflationary boom) and self-correcting mechanism of the economy
- Fiscal policy and demonstrate the mechanism of discretionary fiscal policy within the Keynesian framework
- The process by which the banking system creates money and the fundamental objectives of monetary policy, expansion or contraction of the money supply, the tools of monetary policy

Course Text: Gwartney, Stroup, Sobel, Macphers, Macroeconomics. Private & Public Choice, 11-th Edition, The Dryden Press, 2006

Recommended Reading: The Wall Street Journal

Attendance and Participation

Each student is expected to be prepared to discuss each topic by reading the assigned material and reviewing notes from the previous class meetings covered in class by instructor. An active class participation and regular class attendance is required for the course completion.

Project (see description)

The project should link the class material to the current domestic and international economic issues and should be based on internet sources, journal articles, statistical resources and other available materials.

COURSE SCHEDULE

PART I: Introduction

- The definition of economics (macro-versus micro): descriptive, theoretical and applied economics
- Scarcity and production possibilities: scarcity, choice, opportunity cost, the law of increasing cost and the economic growth
- Comparative economic systems: market mechanism (Adam Smith), mixed economy (John Maynard Keynes), central planning economy (Karl Marks)
- Globalization Process of Central and Eastern European (CEE) Economies in Transition

PART II: Demand, Supply and the Market

- Demand; the law of demand, determinants of demand (movement vs. shift)
- Supply; the law of supply, determinants of supply (movement vs. shift)
- Equilibrium in the market (market surplus and shortage, price ceiling and price floor)
- Regulated markets: minimum wage, rent ceiling, price ceiling on oil 1974, price support

PART III: Indicators of macro-economic performance

- Gross Domestic Product: nominal and real GDP, GDP per capita, expenditure and income approach to GDP, economic growth
- Unemployment/ full employment output: business cycle, the Great Depression and Keynesian economics, unemployment rate, types of unemployment (frictional, structural and cyclical)
- Inflation: price stability, money income and real income, inflation rate, re-distributional effect of inflation, causes of inflation (demand-pull inflation, cost push inflation, monetary explanation)

PART IV: Macroeconomic Equilibrium

- The Circular Flow Model: goods and services market, resource market, loanable funds market and foreign exchange market
- Aggregate Demand (real balances effect, foreign trade effect, interest rate effect) and changes in AD (AD movement vs. shift)
- Aggregate Supply : changes in the short (AS) and long run (LRAS)
- Effect of changes in AD, AS and LRAS on output, employment and prices
- Macroeconomic equilibrium: inflationary pressure beyond full employment output (strong AD) and deflationary pressure below full employment output (weak AD)
- Self-correcting mechanism of the economy

PART V: Fiscal Policy

- The Federal Budget :government spending and revenue, budget deficit, public debt, crowding out effect
- Active and Passive Budget Deficit
- Automatic Stabilizers: unemployment compensation, corporate profit tax and progressive income tax
- Expansionary and Restrictive Fiscal Policy (counter cyclical policy)

PART VI: Banking System and Monetary Policy

- The Functions of Money and Categories of Money (M1, M2, M3)
- Federal Reserve System (supply of money and AD): creation of money
- Tools of Monetary Policy (reserve requirements, discount rate, open market operations)
- Expansionary and Restrictive Monetary Policy

DESCRIPTION OF THE PROJECT

Students will prepare a project, which will constitute 20% of the final grade. The project should link the class material to the current domestic and international economic issues and should be based on internet sources, journal articles, statistical resources and other available materials.

It will be a team project for the group of 2 students. The following stages of the project development will be implemented; project proposal, status report and final project and presentation. Students will choose the topic of the project within the following selection of the economic issues. The following topics can be explored:

- Globalization process: foreign direct investment (FDI) and economic integration (EU and others)
- Current domestic and international macroeconomic issues: macroeconomic indicators (GDP, unemployment, inflation), economic growth, economic recession, fiscal and monetary policies
- Outstanding economists, economic theories and economic systems

The stages of the project

**The project proposal*

The hard copy of the project proposal is due in the second week of the class. The proposal should be 1-2 pages and should include the following:

- Project title
- A brief description of the proposed project
- An explanation of the importance of the topic
- A description of the methods and tools used
- Organization of the team activities; how team is communicating and collaborating
- References

** The project status*

The hard copy of the project status is due in the class in the fourth week of the course. It should describe the progress you are making and any difficulties you encountered. Please describe the roles and responsibilities of each team members.

**The final project*

The hard copy of the project is due in the class at the designated date (the last 2 weeks of the class. This project should be prepared in a clean format using word-processing (5 to 7 pages) and consist of the following:

- Front page (topic, name of student, name of instructor, course, semester etc.)
- Table of contents (use page numbers)
- Introduction
- Body of the report related the table of contents
- Statistics and graphs to support the text
- Conclusions
- List of references

** The project presentation*

Project presentation should include brief introduction of the problem, importance of the discussed issues, methods used and results. The clarity of the presentation constitutes important part of the evaluation of the project. Both team members must have a part in the presentation.