

ECON 104-003: Principles of Macroeconomics

Enterprise Hall 276; Tuesday and Thursday 9:00 AM — 10:45 AM

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Office Location: James Buchanan Hall D134-6

Office Hours: Monday, Tuesday, and Wednesday (12 PM – 2 PM), or by appointment *upon mutual agreement*.

1. Course Description

What makes some nations rich, and other nations poor? This is a question raised by Adam Smith in *The Wealth of Nations* in 1776, by Daron Acemoglu and James Robinson in *Why Nations Fail* in 2012, and by many others in the field of economics. The purpose of this course is to establish the foundations needed in order to answer this fundamental question. It does so by focusing on a myriad of topics foundational to discussing economics on a macro-level, which is divided into four modules.

Module #1 provides a review of microeconomic principles by discussing topics such as trade and comparative advantage, supply and demand, and price ceilings and price floors. Module #2 focuses on providing the stylized facts related to economic growth, as well as discussing GDP, institutions, and savings and investment. Modules #3 and #4 focus on macroeconomic policy by discussing a variety of topics including, but not limited to, political economy and public choice, monetary and fiscal policy, inflation and unemployment, and international trade and finance.

2. Prerequisites and Expectations

The only prerequisite for this class is that you have successfully completed ECON 103 (Principles of Microeconomics). If you require a refresher on understanding basic microeconomic principles, feel free to review using resources such as Marginal Revolution University or Khan Academy.

I do not expect you to have a specific viewpoint on economics. All viewpoints are welcome, and none are above scrutiny through discussion and debate. However, I do expect that this discussion and debate occurs in a respectful manner. As such, I ask that you refrain from distracting behaviors including, but not limited to, engaging in side-conversations, talking over each other, and using electronic devices, such as laptops or phones, for any activity not related to class. Such behavior is disrespectful to me, and to your fellow classmates. As such, computer devices are only permitted for purposes that help you learn the material discussed in this class, such as taking notes or researching content related to this class. In addition, please place your phone on “Do Not Disturb” before entering the classroom, as to not provide any distractions for your classmates. In addition, for the sake of the privacy of myself and the students, ***I do NOT allow recordings of the class.*** An **exception** would require ***an accommodation from Disability Services***, as detailed in the related section below.

Regular attendance is also an important factor in successfully completing this course. This is for a variety of reasons, of which I will provide three. First, much of the material you will be tested on in the midterm and final exams will be that discussed in the lectures. Second, attendance is required in order to complete the quizzes, as discussed in greater detail below. Third, attendance gives you the opportunity to learn from me and from your fellow students. As such, while it is your decision whether to attend this course on a regular basis or not, I would highly recommend regular in-person attendance.

3. Reading Materials

The required reading for this course is **Modern Principles: Macroeconomics** by **Tyler Cowen** and **Alex Tabarrok**. The material for this course (i.e., lectures, quizzes, problem sets, and exams) is based off the sixth edition, but using older editions of the book for this class is perfectly acceptable. In addition, I reserve the right to *assign additional readings and resources* throughout the semester, which would be available on Blackboard.

In addition, there will be various recommended resources: of which two are most prominent. One is **Economics in One Lesson** by **Henry Hazlett**, which applies the economic way of thinking to counter many misconceptions people have about economics. The other is **Marginal Revolution University** (MRU), which consists of videos from Cowen and Tabarrok on material covered in this course. If you are not able to purchase the textbook, or if you learn better by watching videos rather than reading from a textbook, I *highly recommend* this resource. These, and other recommended resources, are not mandatory, but they do provide a better understanding of economics that may be helpful with understanding the concepts discussed in class.

4. Grading and Evaluation

Grade Scale:

This class will operate on the following grade scale. Except for those receiving a percentage score below 60%, percentages will be graded by rounding to the nearest whole number.

Grade	Range	GPA
A+	100-97	4.0
A	96-93	4.0
A-	92-90	3.7
B+	89-87	3.3
B	86-83	3.0
B-	82-80	2.7
C+	79-77	2.3
C	76-73	2.0
C-	72-70	1.7
D	69-60	1.0
F	60 >	0.0

Grading in Detail:

- **News Articles Reflections (10%; 2.5% per reflection):**
 - Throughout the course of this semester, you are to select four news articles from reputable news sources, and you are to write reflections on each of these articles that answer the following:
 - (1) What are the main points or the main arguments of the article?
 - (2) How is this article connected with particular concepts or topics that you have learned in this class? Make sure to correctly define the concept or topic that you learned in class.
 - (3) What are your personal thoughts about how this news article has improved or changed your understanding on the related macroeconomic topic that this article relates to?
 - For each reflection, students are expected to write a minimum of two *full* pages (WITH in-text and bibliography citations; Times New Roman, 12 pt. font, double-spaced, 1 in. margins) that fulfills each of the requirements above.
 - Students are required to write **4** of these reflections over the course of the semester (at least 2 are due by the *midterm exam review* (**Feb 27 @ 11:59 PM**), and the rest are due by the time of the *final exam review* (**Apr 25 @ 11:59 PM**)). As such, it is *highly recommended* that you not wait until the last minute to complete these reflections.
- **Weekly Quizzes (10%):**
 - On Friday afternoon, I will make a weekly quiz available in the **Quizzes** section on Blackboard. It will consist of *six multiple choice* questions (five covering material from the textbook and lectures, and one *extra credit* question covering recommended material [ex: *Economics in One Lesson*]).
 - As each multiple-choice question is either correct or incorrect, you can get a maximum score of **6** points out of **5** for each weekly quiz.
 - You will have *one* attempt to complete the quiz by the following **Monday at 11:59 PM**. It is also expected that you do this quiz without any notes, textbook, or help from any other person.
 - In addition, I will also provide quizzes at the end of class at my discretion. These quizzes will cover the material discussed during that lecture, and attendance is mandatory for the quiz to be completed.
 - These quizzes will be graded with either a check (100%; *satisfactory answer*), a check with a minus sign (50%; *partially satisfactory answer*), or an X (0%; *not satisfactory answer*).
 - There is no make-up policy for either quiz type (i.e., any online quiz responded to after the deadline will receive a 0, and you must be in class to attend complete in-person quizzes). However, I will drop the **two** lowest quiz grades.
- **Problem Sets (20%; 5% per problem set)**
 - Four problem sets will be assigned throughout the course, corresponding with each of the modules. Each will consist of multiple short-answer questions: each question consisting of multiple parts that are to be completed with complete sentences.
 - I will make each problem set available at least one week before the end of each module, and you will have until the due date for each problem set as seen below to complete and turn in the problem set on **Blackboard** in the **Problem Sets** tab.
 - You are allowed to collaborate on problem sets with at most **one** other classmate. If you decide to do so, notify me in the problem set who you are collaborating with. In addition, for the sake of your understanding the material, I would highly recommend *going over the questions on your own before you collaborate with another*.
 - Any problem set turned in one week after the official due date will receive a 10% penalty, and any problem set turned in after that grace period will not be accepted and will receive an automatic 0%.
- **Midterm Exam (25%) and Final Exam (35%):**
 - The midterm exam will occur on **FEBRUARY 29 (9:00-10:15 AM)** and the *cumulative* final exam will occur on **MAY 2 (7:30-10:15 AM)**.

- Both exams are ***closed-note*** and ***closed-book***, consisting of both ***multiple-choice*** and ***short-answer*** questions. You are prohibited from using any cellphones, tablets, computers, or any other mobile device during the exam. However, you will be allowed to use a calculator.
 - I will require that ***anyone who wants to leave the room before turning in the exam will be required to hand in his/her phone to me beforehand.***
 - There will be ***no make-up policy*** for either exam, save for extreme circumstances (such as a death of a loved one or a severe illness) approved of at ***my discretion***. According to university policy, you are allowed to reschedule the final if you have three or more final exams on the same day, but to reschedule, you must contact me at least ***one week*** prior to the final exam.
 - If you cannot attend the midterm exam on the assigned date, you will be allowed to shift the grade to the final exam (which will be worth 60% of your final grade), and you will be given a different exam that places more weight on material tested on the midterm exam. Otherwise, you are expected to attend and to take the midterm on the assigned day.
- Other opportunities¹ for extra credit could be provided, at my discretion, throughout this class.

In addition, while in-class participation (ex: asking and answering questions) is not required, participation both in class and out of class (ex: sending me emails; collaborating with classmates; etc.) is still highly recommended as a means to learn the course material.

5. Tentative Course Schedule

The following is the expected course schedule for this class. However, I reserve the right to make changes or to add required readings according to my own discretion.

Module #1: Microeconomic Foundations

Date	Lesson	REQUIRED	Marginal Revolution University / Economics in One Lesson
Jan 16 (T)	Intro to ECON 104	ECON 104 Syllabus	“Introduction to Economics”
Jan 18 (R)	The Economic Way of Thinking	<u>Cowen and Tabarrok, Chapter 1</u> Ronald Nash, <u>“The Economic Way of Thinking, Part 1”</u>	“What are Incentives?” “Opportunity Cost and Tradeoffs” “Marginal Thinking and the Sunk Cost Fallacy” Hazlett (1952), Chapter 1
Jan 23 (T)	Trade and the Power of Comparative Advantage	<u>Cowen and Tabarrok, Chapter 2</u> Read (1958) <u>“I, Pencil”</u> (video link here)	“The Big Ideas of Trade” “The Hockey Stick of Human Prosperity” “How the Division of Knowledge Saved My Son’s Life” “Comparative Advantage” “I, Rose”
Jan 25 (R)	Demand	<u>Cowen and Tabarrok, Chapter 3</u>	“The Demand Curve” “What Shifts the Demand Curve?” “Change in Demand vs. Change in Quantity Demanded” “What is Consumer Surplus?”

¹ Another extra credit opportunity: One percentage point of extra credit will be given to any student who sends me their best economics meme by Saturday, January 20 at 11:59 PM.

		<u>“A Price is a Signal Wrapped Up in an Incentive”</u>	
Jan 30 (T)	Supply	<u><i>Cowen and Tabarrok,</i></u> <u>3</u> <u>“A Price is a Signal Wrapped Up in an Incentive”</u>	<u>“The Supply Curve”</u> <u>“What Shifts the Supply Curve”</u> <u>“What is Producer Surplus?”</u> Hazlett (1952), Chapter 21
Feb 1 (R)	Equilibrium	<u><i>Cowen and Tabarrok,</i></u> <u>Chapter 4</u>	<u>“The Equilibrium Price and Quantity”</u> <u>“Exploring Equilibrium”</u> <u>“Does the Equilibrium Model Work?”</u> <u>“Supply and Demand Terminology”</u> Hazlett (1952), Chapter 15
Feb 6 (T)	Price Controls	<u><i>Cowen and Tabarrok,</i></u> <u>Chapter 5</u>	<u>“Price Ceilings: The US Economy Flounders in the 1970s”</u> <u>“Price Ceilings: Shortages and Quality Reduction”</u> <u>“Price Ceilings: Lines and Search Costs”</u> <u>“Price Ceilings: Deadweight Loss”</u> <u>“Price Ceilings: Misallocation of Resources”</u> <u>“Price Ceilings: Rent Control”</u> Hazlett (1952), Chapters 16-18
Problem Set #1 DUE FEBRUARY 13, 2024 @ 11:59 PM (Grace Period until February 20)			

Module #2: Economic Growth

Date	Lesson	REQUIRED	Marginal Revolution University / Economics in One Lesson
Feb 8 (R)	GDP and Economic Growth	<u><i>Cowen and Tabarrok, Chapter 6</i></u>	<u>“What is Gross Domestic Product (GDP)?”</u> <u>“Nominal vs. Real GDP”</u> <u>“Real GDP per Capita and the Standard of Living”</u> <u>“Splitting GDP”</u> Hazlett (1952), Chapters 2-3
Feb 13 (T)	The Wealth of Nations	<u><i>Cowen and Tabarrok, Chapter 7</i></u> <u>“Hans Rosling's 200 Countries, 200 Years, 4 Minutes - The Joy of Stats”</u>	<u>“The Hockey Stick of Human Prosperity”</u> <u>“Basic Facts of Wealth”</u> <u>“Growth Rates are Crucial”</u> <u>“What Caused the Industrial Revolution?”</u> <u>“Growth Miracles and Growth Disasters”</u> <u>“The Rule of 70”</u>
Feb 15 (R)	The Importance of Institutions	<u><i>Cowen and Tabarrok, Chapter 7</i></u>	<u>“What are Institutions?”</u> <u>“The Importance of Institutions”</u> <u>“The Tragedy of the Commons”</u>
Feb 20 (T)	Growth and Ideas	<u><i>Cowen and Tabarrok, Chapter 8</i></u>	<u>“Introduction to the Solow Model”</u> <u>“Physical Capital and Diminishing Returns”</u> <u>“The Solow Model and the Steady State”</u> <u>“Human Capital and Conditional Convergence”</u> <u>“The Solow Model and Ideas”</u> <u>“How Ideas Trump Crises”</u>

Feb 22 (R)	Savings and Investment	<u>Cowen and Tabarrok, Chapter 9</u>	“Saving and Borrowing” “What Do Banks Do?” “Four Reasons Financial Intermediaries Fail” Hazlett (1952), Chapter 6 and 23
Midterm Exam Review: February 27, 2024 (at least <i>two news articles reflections</i> due by 11:59 PM) MIDTERM EXAM ON FEBRUARY 29, 2024 (9:00 AM—10:15 AM) Problem Set #2 DUE MARCH 2, 2024 @ 11:59 PM (Grace Period until March 9)			

Module #3: Macroeconomic Policy I

Date	Lesson	REQUIRED	Marginal Revolution University / Economics in One Lesson
Mar 12 (T)	Political Economy and Public Choice	<u>Cowen and Tabarrok, Chapter 21</u>	
Mar 14 (R)	Rent Seeking and Rent Extraction	Meiners (1998), “Money for Nothing: Politicians, Rent Extraction, and Political Extortion by Fred McChesney” “Rent Seeking – Public Choice Theory” “The Bundle Nature of Politics” “Expressive Voting – Public Choice Theory” “Short Sightedness in Government”	
Mar 19 (T)	Unemployment	<u>Cowen and Tabarrok, Chapter 11</u> “Essential Schumpeter: Creative Destruction”	“The Economics of Choosing the Right Career” “Defining the Unemployment Rate” “Is Unemployment Undercounted?” “Frictional Unemployment” “Structural Unemployment” “Cyclical Unemployment” “Labor Force Participation Rate” Hazlett (1952), Chapters 7-10; Chapters 18-19
Mar 21 (R)	Inflation	<u>Cowen and Tabarrok, Chapter 12</u>	“Zimbabwe and Hyperinflation: Who Wants to be a Trillionaire?” “Measuring Inflation” “Quantity Theory of Money” “Causes of Inflation” “Consequences of Inflation: Price Confusion and Money Illusion” “Consequences of Inflation: Financial Intermediation Failure” “Inflation Throughout the Ages: What Would You Do?” “Why Government Creates Inflation”

			Hazlett (1952), Chapter 22
Mar 26 (T)	Aggregate Supply and Demand I	<u>Cowen and Tabarrok, Chapter 13</u>	“Intro to Business Fluctuations” “The Aggregate Demand Curve” “The Long Run Aggregate Supply Curve”
Mar 28 (R)	Aggregate Supply and Demand II	<u>Cowen and Tabarrok, Chapter 13</u>	“Sticky Wages” “The Short Run Aggregate Supply Curve” “Changes in Velocity” “Understanding the Great Depression”
Problem Set #3 DUE APRIL 4, 2024 @ 11:59 PM.			

Module #4: Macroeconomic Policy II

Date	Lesson	REQUIRED	Marginal Revolution University / Economics in One Lesson
Apr 2 (T)	The Federal Reserve System	<u>Cowen and Tabarrok, Chapter 15</u>	“Monetary Policy and the Fed” “The U.S. Money Supplies” “The Money Multiplier” “How the Fed Worked: Before the Great Recession” “How the Fed Worked: After the Great Recession” “The Federal Reserve as Lender of Last Resort”
Apr 4 (R)	Monetary Policy	<u>Cowen and Tabarrok, Chapter 16</u>	“Monetary Policy: The Best Case Scenario” “Monetary Policy: The Negative Real Shock Dilemma” “When the Fed Does Too Much”
Apr 9 (T)	CLASS CANCELLED		
Apr 11 (R)	The Federal Budget	<u>Cowen and Tabarrok, Chapter 17</u>	
Apr 16 (T)	Fiscal Policy	<u>Cowen and Tabarrok, Chapter 18</u>	“Introduction to Fiscal Policy” “Fiscal Policy: The Best Case Scenario” “The Limits of Fiscal Policy” “The Dangers of Fiscal Policy” “Fiscal Policy and Crowding Out” Hazlett (1952), Chapters 4-5
Apr 18 (R)	International Trade	<u>Cowen and Tabarrok, Chapter 19</u>	“Tariffs and Protectionism” “Arguments Against International Trade” Hazlett (1952), Chapters 11-12, 14
Apr 23 (T)	International Finance	<u>Cowen and Tabarrok, Chapter 20</u>	“Balance of Payments” “Purchasing Power Parity” “Real Exchange Rates” “Real and Nominal Exchange Rates” Hazlett (1952), Chapter 13 and 24
Final Exam Review: April 25, 2024 (all four news article reflections due 11:59 PM) Problem Set #4 DUE APRIL 25, 2024 @ 11:59 PM (Grace Period until May 2) FINAL EXAM ON MAY 2, 2024 (7:30 AM—10:15 AM)			

6. Additional Information

Important Dates:

Important dates include the following:

- **January 23** (Last day to add classes)
- **January 30** (Last day to drop with full tuition refund)
- **February 6** (Last day to drop with 50% tuition refund)

Communication:

If there are any announcements, changes to the class schedule or any assigned readings, and any reminders of upcoming exam dates or due assignments, I will email students according to their *GMU email address*. If you wish to contact me, please do so using your GMU email address, as I will not respond to any messages from, or send messages to, any email that is not a GMU address.

In addition, I will respond to emails within 24 hours of the email being sent. The only continuous exception is that I will not respond to any emails sent on Sunday (i.e., an email sent Saturday night would likely not be responded to until Monday morning).

The Honor Code:

The George Mason University Honor Code is as follows:

To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set for this Honor Code: Student Members of the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.

I expect each of you to abide by this code. Any student suspected of any violation will be reported to the Office of Academic Integrity.

Disability Accommodation and Services:

If you are seeking accommodations for this course, you need to be registered with George Mason University's [Disability Services](#) (located in Student Union Building I [SUB I], Suite 2500; (703)-993-2474). Also, please discuss the details of your approved accommodations with me as soon within the first week of classes.

An Addendum on ChatGPT:

Artificial intelligence chatbots (such as ChatGPT) are extremely innovative tools that are useful for many things, and could be useful for researching, writing, and the development of ideas. Still, I would recommend [caution](#) with using such tools. I cannot stop you from using ChatGPT for any of the assignments that are not done in person to simply copy and paste its answers instead of thinking the answer through by yourself, but I am confident that using so regularly would not lead to beneficial results, either in the short-run regarding taking this class, or in the long-run regarding your career as a student and a life-long learner in general.