

Revised: Fall 2016

# ECO 201

## Principles of Macroeconomics

### COURSE OUTLINE

**Prerequisites:** None

**Course Description:**

Introduces macroeconomics including the study of Keynesian, classical, monetarist principles and theories, the study of national economic growth, inflation, recession, unemployment, financial markets, money and banking, the role of government spending and taxation, along with international trade and investments.

This course is an introduction to the economic institutions of our society. It focuses on supply and demand, income, taxation, money and banking, consumption, savings, and investments, deficits and the public debt. It applies these concepts and their relationships to problems such as: economic activity, employment and unemployment, inflation, growth and public policies.

**Semester Credits: 3    Lecture Hours: 3**

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# ECO 201: Principles of Macroeconomics

## Course Outcomes:

**At the completion of this course, the student should be able to:**

- Explain the concept of Gross Domestic Product and the relationships between its component parts.
- Describe the principle types of unemployment and their causes.
- Define inflation, explain its causes and consequences and relate the general history of inflation in the US and selected international cases.
- Describe the general patterns and principle causes of business cycles in the US economy.
- Use the Aggregate Demand-Aggregate Supply model to explain fluctuations in the US economy and alternative policy options.
- Explain the nature and causes of national debt and deficits, the relationship between national savings and international financial balances and the consequences of excessive national debt.
- Explain how money functions in an economy, how it is created or destroyed and the macro consequences.
- Give a basic explanation of the quantity theory of money and its policy implications.
- Explain the basic tenants of supply side economics and its consequences for long run growth.
- Define growth and give a general explanation of the sources of growth. Explain the consequences of differences in growth rates over time using the rule of 72.
- State a plausible policy course for the economic situation existing and give a reasonable justification for alternative courses of action.
- Apply economic concepts to current events to understand underlying causes for situations.

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# ECO 201: Principles of Macroeconomics

## Required Materials:

1. Textbook
2. Internet access
3. Blackboard

## Textbook:

Schiller, Bradley. *Macro Economy Today*. New York: McGraw-Hill, 14th ed., 2016.  
ISBN: 9781259291821

**The following supplementary materials are available:** None

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# ECO 201: Principles of Macroeconomics

## Topical Description:

- Introduction to economics and macroeconomics
- Global view of the US economy
- Overview of global macroeconomic situation
- Supply and demand
- The role of government in economics
- Measuring macro outcomes
  - Measures of output
  - Uses of output
  - Measures of income
  - Flow of income
- Unemployment
  - Types and causes
  - Measuring
  - Human costs
  - Historical record
- Inflation
  - Definition
  - Historical overview
  - Causes
  - Consequences
  - Policy options
- Business Cycle
  - Stability?
  - Historical patterns
  - Introduction to Aggregate Demand-Aggregate Supply model
  - Alternative models
  - Long run self-adjustment?
- Aggregate Demand
  - Consumption
  - Investment
  - Government spending
  - Export and imports
  - Macro failure
- Self-adjustment or instability
  - Leakages and injections
  - Multiplier process
  - Government policy as a source of instability
  - Government policy as a solution to instability

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- Can self-adjustment be made more efficient?
- Fiscal policy
  - Taxes and spending
    - Fiscal stimulus
    - Fiscal restraint
    - Fiscal guidelines
- Deficits and Debt
  - Budget effects of fiscal policy
  - Economic effect of deficits
  - Economic effect of surpluses
  - Accumulation of debt
  - Debt facts and figures
  - Burden and future impact of debt
  - Policy options
- Money and banks
  - Nature of money
  - Creation of money
  - Money multiplier
  - Banks
- Federal Reserve System
  - Structure of the Fed
  - Monetary tools
    - Increasing the money supply
    - Decreasing the money supply
- Monetary policy
  - Money market
  - Interest rates and spending
  - Policy constraints
  - The monetarist perspective
  - Money supply vs. credit supply
- Supply side policy
  - Aggregate Supply
    - Tax incentives
    - Human capital
      - Roles of markets, government and family/societal norms
    - Deregulation
    - Easing trade barriers
    - Infrastructure development
- Growth and Productivity: Long run possibilities
  - Growth and the rule of 70
    - Long term effect of small differences in growth
  - Nature of growth
  - Measures of growth
  - Sources of growth



- Policy tools
    - Increasing leisure as a post-industrial growth policy
- Theory vs. reality
  - Policy tools
  - Idealized uses
  - The economic record
  - Why things don't always work

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# ECO 201: Principles of Macroeconomics

## Notes to Instructors

- None

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