Managerial Economics

Cohort 27B

3 Credit Hours – 5 Weeks

by
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EVANGEL UNIVERSITY
Degree Completion Program
COURSE DESCRIPTION

Students will explore principles of economics essential for managers, including the U.S. economy, national output, employment levels, economic growth, inflation, money and banks, and global perspective.

COURSE OBJECTIVES:

Upon completion of this course the student will be able to:

1. Define economics and know the difference between micro and macro economics.
2. Give examples of resources and understand the concept of scarcity.
3. Demonstrate the idea of opportunity cost using a production possibility curve.
4. Describe the basic questions that must be answered in every economy.
5. Define, graph and interpret supply and demand curves.
6. Graphically and numerically show how equilibrium is established and why markets move toward equilibrium.
7. Understand the concepts of price ceiling, price floors, surpluses, and shortages.
8. Calculate gross domestic product (GDP) using the expenditure approach.
9. Understand how the business cycle is measured.
10. Calculate and interpret the unemployment rate.
11. Categorize unemployment as frictional, structural, or cyclical.
12. Understand the normal unemployment rate and what full employment means.
13. Calculate and interpret the inflation rate.
14. Contrast the classical, Keynesian, monetary and supply-side economic theories.
15. List the components of the money supply and how it can be changed.

REQUIRED TEXT:


ASSIGNMENTS:

Each assignment will be worth 20 points. Any assignment turned in after the due date will receive a maximum of half the points possible if turned in before the next class period and zero if turned in after that.

WEEK ONE

After reading the chapter(s), completing homework assignments, and participating in class discussions, each student will be able to:

Chapter One

1. Define and discuss why we study economics.
2. Define and identify consequences of scarcity.
3. Derive a theory.
4. Describe the differences between macro and micro and positive and normative economics.
5. Identify the goals of an economy.
ASSIGNMENTS (Week One) - To be completed prior to and submitted the first night of class.
1. Read: Chapter 1 and appendix to Chapter 1, The Challenge of Economics.
2. Turn in assignment for chapter one.
3. Read Chapter 3, Supply and Demand.

WEEK TWO

After reading the chapter(s), completing homework assignments, and participating in class discussions, each student will be able to:

Chapter 2
1. Define and compute Gross Domestic Product (GDP) using the expenditure approach.
2. Identify the various types of expenditures in the economy.
3. Distinguish between GDP and real GDP.
4. Calculate per capita GDP.
5. Identify the types of business organizations in the US.
6. Identify the various types of incomes earned by the resource owners.
7. Compute the GDP using the income approach.

Chapter Three
1. Identify the different groups of market participants and how they interact in the market place.
2. Define demand, law of demand and know the difference between individual demand and market demand.
3. Develop a demand schedule and curve.
4. Identify the factors that can cause a change in demand (determinants of demand).
5. Explain and show graphically the difference between a change in quantity demanded and a change in demand.
6. Define supply, law of supply and know the difference between individual supply and market supply.
7. Develop a supply schedule and curve.
8. Identify the factors that can cause a change in supply (determinants of supply).
9. Explain and show graphically the difference between a change in quantity supplied and a change in supply.
10. Explain how equilibrium price and quantity are determined in a market.
11. Work with supply and demand curves to change price and quantity.
12. Define a shortage and show it graphically.
13. Define a surplus and show it graphically.
14. Identify and discuss the effects of price ceilings and price floors.

ASSIGNMENTS (Week Two) - To be completed prior to and submitted the second night of class.
1. Turn in assignment for chapter three.
2. Read Chapter 2, The U.S. Economy and turn in assignment for chapter 2.
WEEK THREE

After reading the chapter(s), completing homework assignments, and participating in class discussions, each student will be able to:

Chapter 10
1. Identify the different phases of a business cycle and discuss the three basic measures of macro economic performances.
2. Distinguish between nominal GDP and real GDP.
3. Compute real GDP.
4. Measure economic growth.
5. Define a recession.
6. Distinguish between those persons in the labor force, not in the labor force, employed and unemployed.
7. Compute the (civilian) unemployment rate.
8. Discuss the differences among frictional, structural and cyclical unemployment.
10. Define and calculate the inflation and deflation rate.
11. Explain how the consumer price index (CPI) is computed.
12. Convert nominal income to real income.

ASSIGNMENTS (Week Three) - To be completed prior to and submitted the third night of class.
1. Turn in Chapter 10 assignment.
2. Read: Chapter 13, Money and Banks.
3. Read Chapter 14, Monetary Policy.

WEEK FOUR

After reading the chapter(s), completing homework assignments, and participating in class discussions, each student will be able to:

Chapter 13
1. Define money and discuss how money evolved out of a barter economy.
2. List and explain the functions of money.
3. Explain what gives money its value.
4. Define the money supply (M1).
5. Explain why credit cards are not money.
6. Explain how banking developed.
7. Explain the role banks play in the money creation process.
8. Define reserves, required reserves and excess reserves.
9. Develop and use the money multiplier.

Chapter 14
1. Identify and discuss the functions of the Federal Reserve System.
2. Outline the structure of the Federal Reserve.
3. Identify and discuss the tools the Federal Reserve can use to change the money supply.
4. Explain the difference between the federal funds rate and the discount rate.
5. Explain monetarism in an AD – AS framework.
6. Explain expansionary and restrictive monetary policy.

ASSIGNMENTS (Week Four) - To be completed prior to and submitted the fourth night of class.
1. Turn in Chapter 13 and 14 assignment.
2. Read Chapter 11, Aggregate Supply and Demand.
3. Read Chapter 12, Fiscal Policy.
WEEK FIVE

After reading the chapter(s), completing homework assignments, and participating in class discussions, each student will be able to:

Chapter 11
1. Identify the basic macro outcomes and the major determinants of macro performance.
2. Discuss the classical, Keynesian, and supply side theories.
3. Define aggregate demand and explain why the aggregate demand curve slopes downward.
4. Identify the factors that can change aggregate demand.
5. Define aggregate supply and explain why the aggregate supply curve slopes upward.
6. Identify the factors that can change aggregate supply.
7. Determine where macro equilibrium occurs.
8. Discuss the potential problems with macro equilibrium.

Chapter 12
1. Define fiscal policy and identify the difference between expansionary and contractionary fiscal policy.
2. Identify the difference between discretionary and automatic fiscal policy.
3. Identify the difference between deficits and public debt.
4. Identify the causes of the public debt.
5. Compare debt and GDP, make international comparisons, identify the concerns of the debt.
7. Define marginal propensity to consume (MPC) and its role in solving a recession or inflation.
8. Calculate and use government and tax multipliers.

WEEK FIVE

ASSIGNMENTS (Week Five) – The assignments for Chapters 11 and 12 will be competed in class.
Please use the following to track your grade.

<table>
<thead>
<tr>
<th>Week</th>
<th>Assignment</th>
<th>Possible Points</th>
<th>Points Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ch 1, Assignment</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Class Participation</td>
<td>10</td>
<td></td>
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<tr>
<td>2</td>
<td>Ch 3, Assignment</td>
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<td>Ch 2, Assignment</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Class Participation</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Exam 1 (Chs. 1 &amp; 3)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Ch 10, Assignment</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Class Participation</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Exam 2 (Chs. 2, 10)</td>
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<td></td>
</tr>
<tr>
<td>4</td>
<td>Ch 13 &amp; 14, Assignment</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Class participation</td>
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<td></td>
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<tr>
<td>5</td>
<td>Exam 3 (Chs 13 &amp; 14)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Ch 11 &amp; 12, Assignment</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Class participation</td>
<td>10</td>
<td></td>
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</tbody>
</table>

GRADE DETERMINATION:

Grades will be determined according to the following points distribution:

- Take-home Assignments ............. 120
- Attendance/participation .......... 50
- Course Exams ........................ 300
- Total Points Possible .............. 470

Letter Grades will be earned according to the following scale:

- A  =  93 - 100%
- A- =  90 -  92%
- B+ =  88 -  89%
- B  =  83 -  87%
- B- =  80 -  83%
- C+ =  78 -  79%
- C  =  73 -  77%
- C- =  70 -  72%
- D+ =  68 -  69%
- D  =  63 -  67%
- D- =  60 -  62%
- F  =  below 60%
TRUE/FALSE

1. The United States is a prosperous nation because its resources are sufficient to meet the desires of its citizens.

2. A production-possibilities curve demonstrates how society resolves the problem of scarcity.

3. The proportion of U.S. output allocated to military goods has remained relatively constant since World War II.

4. The opportunity cost of a good is the sacrifice of all the alternative goods that are forgone.

5. Adam Smith encouraged a policy of “laissez faire” because he believed that the market mechanism provided society with the best answers to the WHAT, HOW, and FOR WHOM questions.

MULTIPLE CHOICE

6. The United States is capable of producing more goods and services now than in 1900 because of:
   a. A greater quantity of labor.
   b. A greater quantity of capital.
   c. Better production technology.
   d. All of the above.

7. Which of the following is not a factor of production?
   a. A computer.
   b. The million dollars it takes to start a new company.
   c. A worker in a factory.
   d. A vacant lot in Dallas.

8. The economic problem of scarcity exists because:
   a. We are capable of producing more than people actually want.
   b. Of opportunity costs.
   c. Society’s desires exceed the capability of available resources to satisfy those desires.
   d. The world is running out of resources, such as available drinking water.

9. Which of the following are considered to be scarce in the U.S. economy?
   a. Farmland.
   b. Machinery.
   c. Workers.
   d. All of the above.

10. The opportunity cost of installing a traffic light at a dangerous intersection is:
    a. Negative, since it will reduce the number of accidents.
    b. The best possible alternative bundle of other goods or services that must be given up in order to build and install the traffic light.
    c. The time lost by drivers who approach the intersection when the light is red.
    d. The cost of the stoplight.

11. A society must address the question of WHAT to produce because:
    a. Of government failure.
    b. The amount of money in an economy is limited.
    c. Of the production-possibilities curve.
    d. It cannot produce all the goods and services that it desires.

12. A point lying inside the production-possibilities curve indicates that:
    a. There are not enough resources available to reach the production-possibilities curve.
    b. More output could be produced with existing resources.
    c. Production is being limited by the level of technology.
    d. All of the above.

13. United States welfare programs are an example of:
    a. How the United States has answered the FOR WHOM to produce question.
    b. Market failure.
    c. Laissez-faire economics.
    d. Scarcity.

14. Which of the following would cause the production-possibilities curve to shift outward?
    a. An increase in the amount of money in the economy.
    b. A decrease in the number of workers employed.
    c. An improvement in technology.
    d. A decrease in immigration into the United States.

15. In Figure 1.6 in the text, which of the following combinations of military goods and consumer goods indicates unused resources?
    a. N.
    b. M.
    c. X.
    d. Both M and X.

16. Macroeconomics focuses on the performance of:
    a. Individual consumers.
    b. Firms.
    c. Government agencies.
    d. The economy as a whole.
EXERCISE

This exercise focuses on the concept of opportunity cost.

Suppose you have only 20 hours per week to allocate to study or leisure. The following table indicates the trade-off between leisure time (not studying) and the grade-point average achieved as a result of studying.

Table 1.1

<table>
<thead>
<tr>
<th>Leisure time (hours/week)</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade-point average</td>
<td>0</td>
<td>1.0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

1. In Figure 1.1, draw the production-possibilities curve that represents the possible combinations from Table 1.1.

![Figure 1.1](image)

2. Using the information above, what is the opportunity cost of raising your grade-point average from 2.0 to 3.0?

___________________________________________________ _____________________________

3. What is the opportunity cost of raising your grade-point average from 3.0 to 4.0?

___________________________________________________ _____________________________

4. Why does the opportunity cost of improving your grade-point average increase?

___________________________________________________ _____________________________