Learning Outcomes Assessment

ECON 330
Instructor: James C. McBrearty
Term: Fall 2012

OVERVIEW

Within the context of the Department of Economics’ learning objectives, the purpose of Economics 330 is to take an in-depth look at macroeconomic institutions and policies. This course was designed to replace a much earlier money and banking course. The Department and College wanted a course which covered not only commercial banking and the Federal Reserve System, but also an overview of GDP itself, the business cycle, unemployment, inflation, fiscal policy, the banking sector, monetary policy, and international trade and finance. Global trends are to be integrated throughout the foregoing topics as much as possible.

The course, which is taught in a large lecture format of 300+ students every semester, is designed for all business majors in the Eller College, and focuses on the skills of critical thinking, business knowledge, and social responsibility. Communication, collaboration, and technology skills are better left to smaller courses which are major-specific.

To facilitate development of critical thinking, business knowledge, and social responsibility within the global economies of today, international comparisons are employed in the topics of GDP, unemployment, inflation, and fiscal policies. I have particularly increased the time spent on public spending, taxes, deficit spending, and the public debt.

Concerning trade, more time is now devoted to comparative advantage and the outsourcing and insourcing of jobs. Emphasis is also given to the balance of payments, and how the deficits of the government and the balance of payments are interrelated.

To evaluate student understanding of the topics set forth above, I employ the following: twelve homework assignments of between fifteen and twenty multiple-choice and short-answer questions geared to the topics listed on the syllabus, all completed online (25% of grade); three midterm exams each consisting of fifty multiple-choice questions, usually with five answers (75% of grade); and three pop quizzes of between sixteen and twenty multiple-choice questions, usually administered approximately one week before the midterm exams (worth up to 30 bonus points).

Critical thinking, business knowledge, and social responsibility were assessed primarily through the three midterm examinations. Some specific questions from each exam are set forth below, along with the percentage of students with the correct answer. I believe a score in the high 70s or low 80s and better indicates a success in achieving the goals set forth above.
**DATA**

First Midterm (Spring 2012)

**Learning Outcome: Critical Thinking/Computational Skills**

**Question 1 (Spring 2012)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Billions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer payments</td>
<td>16</td>
</tr>
<tr>
<td>Government purchases</td>
<td>80</td>
</tr>
<tr>
<td>Personal taxes</td>
<td>38</td>
</tr>
<tr>
<td>Corporate income taxes</td>
<td>28</td>
</tr>
<tr>
<td>Taxes on production and imports</td>
<td>15</td>
</tr>
<tr>
<td>Social Security contributions</td>
<td>8</td>
</tr>
<tr>
<td>Undistributed corporate profits</td>
<td>19</td>
</tr>
<tr>
<td>Proprietors’ income</td>
<td>25</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>258</td>
</tr>
<tr>
<td>Personal consumption expenditures</td>
<td>322</td>
</tr>
<tr>
<td>Consumption of fixed capital</td>
<td>4</td>
</tr>
<tr>
<td>Rents</td>
<td>10</td>
</tr>
<tr>
<td>U.S. Exports</td>
<td>14</td>
</tr>
<tr>
<td>Corporate profits</td>
<td>70</td>
</tr>
<tr>
<td>Interest</td>
<td>12</td>
</tr>
<tr>
<td>Dividends</td>
<td>23</td>
</tr>
<tr>
<td>Imports to U.S.</td>
<td>17</td>
</tr>
<tr>
<td>Net private domestic investment</td>
<td>59</td>
</tr>
<tr>
<td>Net foreign factor income</td>
<td>10</td>
</tr>
<tr>
<td>Statistical discrepancy</td>
<td>35</td>
</tr>
</tbody>
</table>
GDP is:

a. $465  
b. $458  
c. $468  
d. $462

Percentage correct: 61.13%

Learning Outcome: Critical Thinking/Social Responsibility

Question 23 (Spring 2012)
Dinah has lost her job in a South Carolina textile plant because of outsourcing. She is getting unemployment compensation and has signed up for a short course in electronics at a local community college. She hopes to move to North Carolina where she anticipates that a new job will be available in Charlotte. We can say Dinah is experiencing:

a. seasonal unemployment.  
b. cyclical unemployment.  
c. structural unemployment.  
d. frictional unemployment.

Percentage correct: 84.38%

Learning Outcome: Critical Thinking/Computational Skills

Question 32 (Spring 2012)
Tessa's break-even income is $10,000 and her MPC is 0.75. If her actual disposable income is $16,000, her level of:

a. consumption spending will be $14,500.  
b. consumption spending will be $15,500.  
c. consumption spending will be $13,000.  
d. saving will be $2,500.

Percentage correct: 57.47%
Learning Outcome: Critical Thinking/Computational Skills

Question 30 (Spring 2012)
\[ C = 20 + .9Y, \] where \( C \) is consumption and \( Y \) is disposable income. The \textbf{MPC} is:

a. .45.
b. .20.
c. .50.d. .90.

Percentage correct: 87.04%

Learning Outcome: Critical Thinking/Social Responsibility

Question 30 (Spring 2012)
The concept of \textbf{net private domestic investment} refers to:

a. the amount of machinery and equipment used up in producing the GDP in a specific year.
b. the difference between the market value and book value of outstanding capital stock.
c. gross domestic investment less net exports.
d. \textbf{total investment less the amount of investment goods used up in producing the year’s output.}

Percentage correct: 61.12%
Learning Outcome: Critical Thinking/Computational Skills

Question 15 (Fall 2012)
Using the table below, calculate GDP.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages &amp; salaries</td>
<td>$2000</td>
</tr>
<tr>
<td>Government purchases of goods &amp; services</td>
<td>$500</td>
</tr>
<tr>
<td>Exports</td>
<td>$800</td>
</tr>
<tr>
<td>Rental income</td>
<td>$300</td>
</tr>
<tr>
<td>Consumption spending</td>
<td>$3000</td>
</tr>
<tr>
<td>Transfer payments</td>
<td>$300</td>
</tr>
<tr>
<td>Private investment spending (Gross)</td>
<td>$600</td>
</tr>
<tr>
<td>Profit</td>
<td>$1200</td>
</tr>
<tr>
<td>Imports</td>
<td>$600</td>
</tr>
<tr>
<td>Interest income</td>
<td>$800</td>
</tr>
<tr>
<td>Purchases of corporate stock</td>
<td>$500</td>
</tr>
</tbody>
</table>

Based on the above information, **GDP** in this year was:

a. $4100  
b. **$4300**  
c. $4400  
d. $4600  
e. $4900

Percentage correct: 86.93%

Learning Outcome: Critical Thinking/Social Responsibility

Question 19 (Fall 2012)
Providing **training** to both **employed** and **unemployed individuals** will help to alleviate:

a. Frictional unemployment  
b. Seasonal unemployment  
c. **Structural unemployment**  
d. Cyclical unemployment  
e. Short-term unemployment

Percentage correct: 90.85%
Learning Outcome: Critical Thinking/Computational Skills

Question 23 (Fall 2012)
If the MPC is 0.75, and $80 billion increase in planned investment spending would cause equilibrium output to increase by:
   a. $60 billion
   b. $140 billion
   c. $320 billion
   d. $400 billion
   e. $106.7 billion

Percentage correct: 62.09%

Learning Outcome: Critical Thinking/Computational Skills

Question 44 (Fall 2012)
Given the consumption function C = $100 billion + 0.75Yd, where Yd is $300 billion, induced consumption is equal to:
   a. $100 billion
   b. $225 billion
   c. $300 billion
   d. $325 billion
   e. $400 billion

Percentage correct: 47.06%

Learning Outcome: Critical Thinking/Social Responsibility

Question 47 (Fall 2012)
A recessionary gap is:
   a. The amount by which the equilibrium output falls short of the full employment output
   b. The amount by which the equilibrium output exceeds of the full employment output
   c. The amount by which total spending falls short of what is needed to achieve full employment
   d. The difference between the existing unemployment rate and the full employment target of 5.5% unemployment
   e. The amount of additional tax revenue that the government needs to balance its budget during a recession

Percentage correct: 25.49%
Second Midterm (Spring 2012)
Median Grade: 78.65%

Learning Outcome: Critical Thinking/Social Responsibility

Question 4 (Spring 2012)
All other things held constant, higher marginal (income) tax rates:
   a. Necessarily increase tax revenues
   b. Necessarily decrease tax revenues
   c. Decrease the attractiveness of productive activities relative to leisure and tax avoidance activities, and shift the short-fun aggregate supply (SRAS) curve leftward
   d. Do not affect the attractiveness of productive activities relative to leisure and tax avoidance activities, and therefore, the SRAS does not shift rightward or leftward
   e. Increase the attractiveness of productive activities relative to leisure and tax avoidance activities, and shift the SRAS curve rightward

Percentage correct: 73.46%

Learning Outcome: Critical Thinking/Social Responsibility

Question 15 (Spring 2012)
One major advantage of built-in stabilizers when compared to discretionary fiscal policy is that:
   a. Built-in stabilizers can pull an economy out of a deep recession, while discretionary fiscal policy cannot
   b. The lags associated with built-in stabilizers are usually shorter than those associated with discretionary policy
   c. The multiplier effect associated with built-in stabilizers is larger than that associated with discretionary policy
   d. The multiplier effect associated with built-in stabilizers is smaller than that associated with discretionary policy
   e. Built-in stabilizers have no impact on the federal budget, while discretionary fiscal policy does have an impact

Percentage correct: 95.68%
Percentage correct: 96.95% (Fall 2012)
Learning Outcome: Critical Thinking/Business Knowledge

Question 29 (Spring 2012)
If a single bank faces a required reserve ratio of 20%, has total reserves of $500,000, and checkable deposit liabilities of $400,000, what is the maximum amount of money this bank could create (add to the money supply)?

- a. $100,000
- b. $420,000
- c. $80,000
- d. $2,100,000
- e. $500,000

Percentage correct: 51.13%

Learning Outcome: Critical Thinking/Business Knowledge

Question 43 (Spring 2012)
The legal reserve requirement is:

- a. The minimum amount of reserves the Federal Reserve requires a bank to hold
- b. The interest rate that the Federal Reserve charges banks who borrow from them
- c. The interest rate on loans made by banks to other banks
- d. The maximum percentage of the cost of a stock that can be borrowed from a bank, with the stock offered as collateral
- e. An appeal by the Federal Reserve to banks, asking for voluntary compliance with the Federal Reserve’s wishes

Percentage correct: 95.29%
Second Midterm (Fall 2012)

Learning Outcome: Critical Thinking/Social Responsibility

Question 5 (Fall 2012)
An increase in government spending will have a **greater impact on equilibrium output** than a tax **reduction of the same size** because:

- a. A government spends its money more efficiently than private households
- b. Government spending tends to stimulate investment spending by businesses, whereas consumption spending by households has no impact on investment spending
- c. “Crowding out” reduces the stimulus of the tax reduction but does not apply to government spending
- d. Increases in government spending are subject to a multiplier effect, but tax reductions are not
- e. **Part of the tax reduction will be saved**

Percentage correct: 64.41%

Learning Outcome: Critical Thinking/Social Responsibility

Question 6 (Fall 2012)
One **major advantage** of **built-in stabilizers** when compared to **discretionary fiscal policy** is that:

- a. Built-in stabilizers can pull an economy out of a deep recession, while discretionary fiscal policy cannot
- b. **The lags associated with built-in stabilizers are usually shorter than those associated with discretionary policy**
- c. The multiplier effect associated with built-in stabilizers is larger than that associated with discretionary policy
- d. The multiplier effect associated with built-in stabilizers is smaller than that associated with discretionary policy
- e. Built-in stabilizers have no impact on the federal budget, while discretionary fiscal policy does have an impact

Percentage correct: 96.95%
Percentage correct: 95.68% (Spring 2012)
Learning Outcome: Critical Thinking/Business Knowledge

Question 12 (Fall 2012)
Assume Congress enacts a $20 billion decrease in spending and a $20 billion decrease in taxes. The result of this balanced budget approach is a:

a. $10 billion decrease in aggregate demand
b. $20 billion increase in aggregate demand
c. $40 billion decrease in aggregate demand
d. $20 billion decrease in aggregate demand
e. No change in aggregate demand; the decrease in spending cancels out the decrease in taxes

Percentage correct: 76.61%

Learning Outcome: Critical Thinking/Business Knowledge

Question 44 (Fall 2012)
Which one of the following should be included in the gross public debt?

a. U.S. Treasury securities purchased by an office of the federal government’s Department of Housing and Urban Development
b. U.S. Treasury securities purchased by a federal government agency called the Government National Mortgage Association
c. U.S. Treasury securities purchased by the parents of a college student
d. U.S. Treasury securities purchased by the Social Security Administration
e. all of the above

Percentage correct: 80.67%
Learning Outcome: Critical Thinking/Business Knowledge/Social Responsibility

Question 4 (Spring 2012)
When the Federal Reserve decreases the reserve requirement,
  a. The lending ability of banks contracts
  b. Required reserves are converted into excess reserves
  c. It becomes more difficult for banks to borrow from the Fed
  d. The simple deposit multiplier will increase
  e. Both b. and d.

Percentage correct: 76.63%
Percentage correct: 95.57% (Fall 2012)

Learning Outcome: Critical Thinking/Computational Skills/Business Knowledge

Question 23 (Spring 2012)
If Joanna purchases a bond for $4,500 that promises to pay her $5,000 one year later, what is the interest rate on the bond?
  a. 5.3 percent
  b. 9.0 percent
  c. 10.0 percent
  d. 11.1 percent
  e. The interest rate cannot be determined with the information given

Percentage correct: 80.31%

Learning Outcome: Critical Thinking/Business Knowledge/Social Responsibility

Question 43 (Spring 2012)
If the exchange rate of Japanese yen for U.S. dollars decreases from 100 yen = $1 to 80 yen = $1, then:
  a. Japanese produced goods would become more expensive for American consumers
  b. The dollar has appreciated
  c. The yen has depreciated
  d. U.S.-produced goods would become more expensive for Japanese consumers
  e. U.S. imports from Japan would increase
Learning Outcome: Critical Thinking/Graphing Analysis/Business Knowledge/Social Responsibility

Question 25 (Spring 2012)

If sugar imports were not restricted in any way in the figure above, the nation’s volume of sugar imports would be:

a. 0D  
b. 0A  
c. BF  
d. AG  
e. CE

Percentage correct: 80.75%  
Percentage correct: 92.51% (Fall 2012)
Third Midterm (Fall 2012)

Learning Outcome: Critical Thinking/Business Knowledge/Social Responsibility

Question 15 (Fall 2012)
When the Federal Reserve decreases the reserve requirement,
  a. The lending ability of banks contracts
  b. Required reserves are converted into excess reserves
  c. It becomes more difficult for banks to borrow from the Fed
  d. The simple deposit multiplier will increase
  e. Both b. and d.

Percentage correct: 95.57%
Percentage correct: 76.63% (Spring 2012)

Learning Outcome: Critical Thinking/Computational Skills/Business Knowledge

Question 3 (Fall 2012)

Calculate the realistic money multiplier if the reserve requirement is 0.10, the currency-deposit ratio is 0.5, and the excess reserve ratio is 0.0001.

  a. 2.5
  b. 2.44
  c. 2.3
  d. 2.06
  e. 5

Percentage correct: 89.11%

Learning Outcome: Critical Thinking/Business Knowledge/Social Responsibility

Question 44 (Fall 2012)
If the exchange rate of Japanese yen for U.S. dollars decreases from 100 yen = $1 to 80 yen = $1, then:

  a. Japanese produced goods would become more expensive for American consumers
  b. The dollar has appreciated
  c. The yen has depreciated
  d. U.S.-produced goods would become more expensive for Japanese consumers
  e. U.S. imports from Japan would increase
Learning Outcome: Critical Thinking/Graphing Analysis/Business Knowledge/Social Responsibility

Question 26 (Fall 2012)

If sugar imports were not restricted in any way in the figure above, the nation’s volume of sugar imports would be:
   a. 0D
   b. 0A
   c. BF
   d. AG
   e. CE

Percentage correct: 92.51%
Percentage correct: 80.75% (Spring 2012)
INSTRUCTOR'S COMMENTS

Students still have difficulty even at the Junior/Senior level with analytical questions having answers indicating more than one ramification, and often with calculations, even though I permit the use of a four-function calculator. I think they might be relying too heavily on the PowerPoint presentations which are posted on Blackboard.

To address these issues I instituted twelve homework assignments to be completed within forty-eight hours of the day they are assigned (usually covering one, but sometimes two, chapters), which are listed on the syllabus. These assignments constitute 25% of the course grade. Additionally, I am devoting more class time to critical thinking and problem solving not necessarily shown on the publisher’s PowerPoint slides. Also, I am hoping the pop quizzes will entice students to stay current with the course material and help prime them for the midterm examinations.