

ECON 201 B: Introduction to Macroeconomics

Spring 2019

Syllabus

Time: TTh 1:30 ~ 3:20PM
Classroom: CMU 320

Instructor: Qiliang Chen
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Office: SAV 319A
Office Hours: TBD
Course Website: On UW Canvas

Introduction

Economists in general agree with the following proposition: economics is not a field of study of something particular. Rather, it is a set of tools and concepts that can be applied to understand a great number of phenomena in the economic and social sphere. We use the tools of the science of economics to study why things are and how they change when a relevant factor or force — that shapes the phenomenon under study—changes. As you read the assigned textbook for this course and attend the lectures and quiz sections, you will find the application of a set of thinking tools to a great number of interesting and important issues. Many of these issues—part of the “conventional wisdom” believed by many—are re-examined from an in-depth and insightful perspective. As the meaning and purpose of higher education goes, this should be truly a *higher* education experience!

Macroeconomics is the study of economic behavior in aggregate – how an economy grows and changes, and perhaps most importantly, how (if at all) we can manipulate it in order to increase overall welfare. Almost by definition, macro is the study of generating the greatest economic benefits for the greatest number by the most efficient available means. Along the way, we will consider theories of money, trade, unemployment, business cycles and growth.

Learning Goals

1. Fundamental Knowledge

- Understand and be able to use macroeconomic terminology
- Explain how the highest-valued alternative foregone is the opportunity cost of what is chosen
- Explain who determines the growth of production and prices in the economy
- Analyze the causes of growth and recession.
- Analyze how government policies and different institutional arrangements affect the allocation of resources in an economy

2. Application

- Use macroeconomic principles to understand and explain economic events and other social phenomena
- Critique the economic content of articles or presentations
- Appreciate the usefulness of economic reasoning in social decision making

Textbook

Krugman and Wells, “Macroeconomics”, 5th Edition, with Sapling. You can purchase it at the University Bookstore, which offers both a physical copy and an e-book for slightly cheaper.

Topics Covered

1. Principles of economics. Review of introductory microeconomics, including the supply and demand model. Chapters 1, 2 and 3 (briefly).
2. Introduction to macroeconomics, and the formation of macroeconomics as a discipline. Chapter 6.
3. Macroeconomic data. GDP, output, income, the price level, and inflation. Chapters 7 and 8.
4. Long run economic growth. We will start thinking about what determines output, starting with the long run. We will learn about the role of capital, human capital, infrastructure and institutions. Chapter 9.
5. Savings and investment. What determines how much people save, and firms invest? We will look at the function of capital markets and financial markets. Chapter 10.
6. Income and expenditure. What determines how much people spend, and how do firms know to produce enough to meet their demand? We will learn the *Keynesian Cross*, an important model of income and spending, and multiplier process of spending. Chapter 11.
7. We will then add the price level to the story of income and expenditure, completing our theory of what determines economic output and prices. This model of *aggregate demand and supply* will be our main tool to analyze the macroeconomy. Chapter 12.
8. Fiscal policy: How can the government respond to recession? What does the government do with the taxes and spending it carries out? Chapter 13.
9. Money and banking. We will show that money is a very special financial asset, and that banking plays a very special role in money creation. Chapter 14.
10. Monetary policy is carried out by the *Federal Reserve*; we will discuss the history and role of the Fed, and how they can respond to recession using *monetary policy*. Chapters 14~15.
11. We will conclude by analyzing an important episode of macroeconomic history, the *disinflation* of the early 80s, and talk about the limits of using monetary policy to promote growth. Chapter 16.
12. (Time permitting) We’ll talk about the most recent recession and the important of financial crises. Chapter 17.
13. (Time permitting) We will talk about some key issues in international macroeconomics: the determinants of a country’s balance of payments, the factors affecting exchange rates, the different forms of exchange rate policy. Chapter 18.

Tentative Teaching Schedule

Below is a tentative schedule to help you plan ahead and think about course readings. More than likely the dates when we cover material will shift as we get behind or ahead, so I'll update on Canvas should these things change.

Week	Date	Lecture	Notes
Week 1	4/1-5	Introduction	
Week 2	4/8-12	Chapter 6, 7	
Week 3	4/15-19	Chapter 8	
Week 4	4/22-26	Chapter 9, 10	
Week 5	4/29-5/3	Chapter 11	
Week 6	5/6-10	Midterm	Tuesday: Midterm (TBD)
Week 7	5/13-17	Chapter 12	
Week 8	5/20-24	Chapter 13, 14	
Week 9	5/27-31	Chapter 15	
Week 10	6/3-7	Chapter 16 Final Review	
Finals Week	6/10-14	N/A	Friday: Final Exam (TBD)

Grading

The grading policy of the Department of Economics sets the upper boundary for the Median grade in principles of economics courses at 3.1. We will maintain a median grade for this course in the 2.8-3.1 range. If the median grade for the course happens to be outside of 2.8-3.1 range on the preliminary grade scale, we will adjust the grade scale accordingly.

Sapling Homework	15%
Participation	10%
Midterm	35%
Final Exam	40%

- **Exams**

There will one midterm and one final exam. The final exam is cumulative. All books, papers, notebooks, etc., must be placed inside your backpack or other type of bag, which must be securely and fully closed. You will need a calculator for some of the questions on your tests. Please bring a simple 4-function or a scientific calculator to all your exams. Graphing calculators are not allowed in any of the exams in this course. There is no make up for the exams except under serious health conditions and for student athletes. If you miss any exam you will earn an *incomplete* grade for this course.

- **Sapling Homework**

There will be a set of questions assigned in Sapling. These will be assigned approximately weekly and will be automatically graded in Sapling. The questions in this type of assignment check your understanding of the concepts and on a few occasions ask you to analyze a problem using the concepts you have learned.

- **Participation**

After the midterm I will update students' participation grades for the first half of the quarter (0~5). At the end of the quarter I will give the grades for the second half (0~5). I do not take attendance strictly. Active participation such as asking and answering questions, and full concentration is key to success of this class and will be acknowledged in the form of high participation grades. On the other hand, the baseline is that, if you attend about 85% of the class, I will give at least 3 out of 5.

How to Study Effectively

- Read the relevant parts of chapter(s) carefully before each lecture. Try to get a good idea of both the questions asked and the approach (the concept and the reasoning process) to addressing the questions in the textbook.
- Attendance is recommended. Active class participation can induce your learning interest and help you have a better understanding of each concept. We will do some practice questions to prepare for your exams and quizzes.
- Take notes during class, but it is not necessary to copy every slide. The slides will be posted online. You are welcome to ask clarifying questions, present points of debate, etc. during class.
- After the lecture, attempt the problems and make sure you fully write down the answer to each question using the relevant concepts you have learned. In order to successfully answer a question, ask yourself the following: i) what does the question want me to do? ii) What relevant information does the question provide? iii) How do I go from the given information to the answer? You want to use the concepts and tools for thinking—that you have learned—to answer the question.
- Joining a study group with your classmates can help you think deeply for the relevant concepts and problems.

Available Resources

- The Economics Undergraduate Union provides drop-in tutors at Savery 328. For more information, see <http://depts.washington.edu/ecnboard/eub-tutoring/>
- The CLUE evening study sessions provide extra educational support for students. The CLUE schedule online is at: <http://depts.washington.edu/clue/index.php>

Academic Integrity

Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course. Behavior that constitutes academic misconduct includes but is not limited to cheating on exams or quizzes (copying answers from others, using unauthorized materials, a student not taking their own quiz/exam, etc.), copying homework answers, plagiarism.

You may read more at <http://www.washington.edu/cssc/facultystaff/academic-misconduct/>

University of Washington

Department of Economics
Examination rules

1. Material allowed during a closed book exam:

- i. All books, papers, notebooks etc. must be placed inside your bag (backpack etc.) and the bag must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach (classroom window sill etc.)
- ii. Only keep writing tools and **basic calculators** (i.e. simple 4 - functions calculators) . Graphing calculators or calculators with memories will not be allowed. ***Sharing of calculator s is not permitted.***
- iii. **Cellular phones** must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use a cellular phone during an exam. Doing so will result in the termination of your exam time (your exam being taken from you at this point). Likewise, **iPads** or **iPods** (or similar devices) are not allowed. The use of **personal computers** is not allowed during an exam.
- iv. Baseball caps with visors and any kinds of **headgear** hiding your eyes are not permitted.

2. Attendance and special accommodation:

- i. You are expected **not to leave the room** during the exam except in case of emergency. This includes restroom use; be sure to use the restroom before the beginning of the exam. If you must leave the room, you will be asked to leave your phone with the instructor while you are gone.
- ii. If you arrive **late** to an exam, you cannot expect to get extra time after the official end of the exam to make up for the missing time at the beginning.
- iii. If you have a **documented disability**, please show your instructor your documentation from the Office of Disability Resources for Students on the first day of class, so that your instructor can make all the necessary arrangements if you wish to take your exam in a separate place.