

Economics 201: Principles of Macroeconomics
Spring 2019
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Student Learning Goals:

The goals for your learning fall into a couple of categories:

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
- Understand the role and effect of trade
- 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

Our respective responsibilities:

Your Instructor:

My responsibilities include clear explanations of concepts and tools, helping you to master the tools and concepts that aid you to gain insight into the workings of the economy and the society you live in, and provide a clear set of expectations for your performance. I will also supervise the TA team.

You:

You should form a study group (2-4 members) among peers to discuss the material of the course or do worksheet problems together. If you are unsure about the date of an assignment or have other questions regarding the course material, please refer them to your peer group and seek help there first before emailing me. Please note that all the material that is additional to your textbook readings will be posted on the course website. The slides for each lecture session are also posted on the course website and it is your responsibility to look them up.

For best results regarding your learning process and your grade, you need to engage in effective and active studying throughout the quarter. [The one catch to learning the economic way of thinking and doing well in this course is doing the problems carefully. This does not mean reading the problems and doing them in your head. Rather, you need to use the concepts you learn plus the reasoning process to write out the solutions in full. As we mentioned in the section on the overall description](#)

of this course above, the discipline of economics consists of a set of tools for thinking. Therefore, learning the economic way of thinking involves practicing the use of these conceptual tools and the associated reasoning process in solving problems.

To give you an idea about how much time resources you will need, for every hour of lecture, you should plan on spending at least two and a half hours of *effective* studying/problem solving with your peer group or by yourself. This implies that you will need at least about 10 hours of effective studying outside of class per week to understand and master the approach and be able to adequately address issues in principles of macroeconomics. Students should read the text prior to attending each lecture. For a quick guide on how to succeed in the course please refer to the heading “How to Study Effectively”.

Below you will find information on the various ways your learning will be evaluated. For exams problems will consist of analytical, “story” problems, similar to the end of chapter problems in the text. You will be asked to analyze the effect of a change in spending, changes in other government policy, etc., using both graphs and analytical explanations in written form. We will also use a minimal amount of algebra and some arithmetic. Your grade on an exam depends on the *quality* of your answer. That is, your grade will be determined based on your use of an appropriate conceptual framework and the precision of your logical explanation and conclusions.

Attending the class is **NOT** mandatory; I will record your participation but it won’t be counted in your grades. I accept and honor your personal choice of time and effort you devote to this class. **Yet** I will not tutor you the same material I’ve taught in class again if you didn’t come. In line with the “principles of behavior” we will learn in Chapter 2, we realize that you make your decisions about your level of engagement and effort in this class based on the desire to maximize your net gains! That is, your time and effort face competing interests and you will make choices that maximize your net benefits (be it grade, satisfaction, or whatever else that constitutes your motivation for taking this and other courses). As such, we realize that as rational and informed decision makers, you will accept the consequences of your choices regarding your level of effort devoted to this course. Of course, if circumstances beyond your choice and control materialize (such as a sudden illness, an accident, etc.) that derail you from attending a lecture or taking a test on time, you have the responsibility of informing me as soon as possible. I will then try to help you to the best of our ability. Please read the section on make-up exams.

Textbook and Related Reading Material:

Our main textbook is **Principles of Macroeconomics (5th ed.)**, by Paul Krugman and Robin Wells (published by Macmillian, 2016) **with Sapling Learning**. If you like to purchase an earlier edition of the textbook, that is fine too. The only drawback of an earlier edition is that it may exclude some of the additional problems at the end of chapters that have been added to the latest edition. Also you would still have to purchase the access to Sapling separately.

The CLUE (Center for Undergraduate Learning and Enrichment) Program:

Econ 201 is part of the CLUE Program on campus. The CLUE evening study sessions provide extra educational support for students. The CLUE dates and times for Econ 201 will be announced on CLUE website. The CLUE schedule online is at: <http://depts.washington.edu/clue/index.php>

Topics and Chapters:

1. Introduction to economics and the concepts of scarcity and opportunity cost including some examples and applications. Chapters 1 and 2.
2. Introduction to Macroeconomics, history of macroeconomics as a discipline. Chapter 6.
3. Supply and Demand, the basic models of markets are trade. Chapter 3.
4. International trade and trade policy. Chapter 3.
5. Macroeconomic Data. What do we look at when talking about the macroeconomy? We will look at GDP, output, income, the price level, and inflation. Chapters 7 and 8.
6. Long Run 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
7. 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.
8. 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
9. 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.
10. Fiscal Policy: How can the government respond to recession? What does the government do with the taxes and spending it carries out? Chapter 13.
11. 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
12. 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. Chapter 16.
13. 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. Or maybe we'll talk about the most recent recession and the important of financial crises. Chapter 17. We'll see. Sometime we get to this, sometimes we don't.

Evaluating student learning:

- **Homework from Sapling:** There will be a set of questions titled "problem sets" (HWs) 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. **Your Homework will be collectively worth 15% of your course grade.** The grade for the first HW,

chapters 1 and 2 and 6, will not count as part of your course grade. This first HW will act as a practice run. **You can do the homework late yet there is a 20% penalty each day, so there is no make up for homework.** For this reason, I **strongly** recommend not leaving your homework until the last minute.

- **Exams:** There will be two exams, the Midterm and the Final Exam, each with about 15 short or long questions. All tests will be conducted in the classroom. You will need a calculator for some of the questions on your quizzes/tests. Please bring a simple 4-function or a scientific calculator to all your quizzes and exams. Graphing calculators are not allowed in any of the exams in this course. **Your Exams are collectively worth 65% of your grade; midterm is worth 30%, the final, 35%.**
- **Quizzes:** There will be two quizzes. The quizzes are 1 hour long in class with around 5 (short or long) questions. **Your quizzes are collectively worth 20% of your grade.**

Grading and the grade scale:

There is a (preliminary) grade scale on the basis of which we determine course grades. The grading policy of the Department of Economics sets the upper boundary for the Median grade in principles of economics courses at 3.1. I 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 ranges on the preliminary grade scale, we will adjust the grade scale accordingly.

Make-up Exams:

We will require both the phone number and address of the doctor/clinic in order to verify the authenticity of the documentation you provide. For the Midterms, we will write a make-up again with documentation from a clinic or a doctor. There is no make up for the Final Exam. If you miss the Final Exam you will earn an *incomplete* grade for this course.

How to study effectively:

- a. 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.
- b. Take notes during class, but it is not necessary to copy every slide. The slides will be posted online, along with a video of each lecture. You are welcome to ask clarifying questions, present points of debate, etc. during class.
- c. 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.