

ECON 301D INTERMEDIATE MACROECONOMICS

Syllabus

Autumn 2016

Instructor:	Yurim Lee	Time:	TTh 8:30 – 10:20 am
Email:	yrlee88@uw.edu	Place:	SIG 225
Office Hours:	Thu 10:30 – 12:30 pm	Office:	Savery Hall 319H

A FEW WORDS: Welcome to ECON 301D Intermediate Macroeconomics! My name is Yurim Lee – please feel free to call me Yurim. I will be guiding you through Macroeconomics for the next ten weeks. If you need me, you can always reach me via email. I also use emails for announcements or notifications so please be sure to check your UW email every so often.

COURSE DESCRIPTION: Economics is a study of *choices*. Whether it is you choosing which class to take this quarter or a policymaker selecting which monetary policy to implement, our limited resources force us to make choices (which is another reason to thank you all for deciding to enroll in this course!). In your previous microeconomics classes, you have learned how individuals make optimal choices (e.g. consumption, hours of work, etc.). In this course we will shift our focus to the choices of the whole economy (or the “aggregate” economy, if we wish to use a fancier word).

This course is aimed to teach students the basic tools of macroeconomics and apply them to the real world economic policy issues. We will be employing graphs primarily with occasional equations. This means we will be looking at stripped-down, simplified economic models. While these models do not reflect the real economy as it is, they provide useful economic insights for us. As you will also find out in the next ten weeks, there is no one specific model that explains all facets of the economy. Thus I will introduce different economic models for you to use and compare.

Keeping this in mind, the goals of this class are for students to:

- ▶ Understand the importance of microeconomics as a foundation for macroeconomics
- ▶ Understand how aggregate economic activity is measured at the level of a nation
- ▶ Understand how basic models of the economy summarize and explain the interactions between these main macroeconomic measures, output, employment, and inflation
- ▶ Understand what causes economic activity to fluctuate over the years, from recessions to full employment and back
- ▶ Understand the role of government in trying to smooth out these fluctuations
- ▶ Understand the links between the domestic economy and the rest of the world
- ▶ Understand the differences between adjustment in the short run and adjustment in the long run

- ▶ Understand the insights conveyed by the various schools of thought – Keynesian economics with sticky prices, classical economics with flexible prices, and various syntheses of the two
- ▶ Understand how the economy grows in the very long run through capital accumulation and technological progress
- ▶ Understand specific concepts like dynamics and expectations
- ▶ Understand media accounts of macroeconomic events.

OFFICE HOURS: Thursdays 10:30am – 12:30pm or by appointment at Savery Hall 319H. You can always email me if you have any questions or wish to set up an appointment for another time. Please allow a few days for appointments since my schedule tends to be pretty hectic during the quarter.

COURSE PAGE: <https://canvas.uw.edu/courses/1064565>. Any materials that I use in class will be uploaded here.

TEXTBOOK: The following is required for this class:

- ▶ Olivier Blanchard and David R. Johnson, *Macroeconomics*, Pearson, 7th ed., 2017.

Another good source to take a look at is (not required):

- ▶ N. Gregory Mankiw, *Macroeconomics*, Worth Publishers, 9th ed., 2016.

If you wish to buy an earlier edition of the textbook, that is fine. The chapters I assign you from the textbook are considered recommended. This means that I will not test you on anything in the textbook that we do not cover in class. However, it will be beneficial towards further understanding of the material we discuss in class.

The course will also provide a collection of articles for further reading. **Exams will also include questions related to the readings.** These articles will mostly be discussions of macroeconomic policies in the press. They will help you understand how classroom economic theories work in the real world. It is your responsibility to follow the weekly readings.

PREREQUISITES: A basic level of calculus is required for this class. You should at least know how to read graphs and functions, calculate slopes for linear and nonlinear functions, solve out equations, etc. Refer to *Appendix 2: A Math Refresher* in Blanchard if you need a review of your calculus.

RESPONSIBILITIES: I strongly encourage studying in small groups with your peers to discuss the class material or go through practice problems together. If you are unsure about due dates or anything else, please ask your classmates first before emailing me. If there are additional materials other than the textbook used in class, I will post them on Canvas (under *Files*).

It is your responsibility to follow and review the course material. It is very essential to sit down, read through the economic concepts, and practice using models and equations learned in class with pencil and paper. It does take time to get used to economic thinking, and since the concepts we learn earlier in the course keep appearing until the very end, it is very crucial that you review the materials in a timely fashion.

You are also required to complete homeworks in time and attend written exams. **There is no making up for missed homework**, so I strongly recommend not leaving them until the last minute. Also, unless there are critical circumstances out of your control happening (such as sudden illness, accidents, etc., notified to me as soon as possible), I will not grant make-up exams. See the section for make-up exams below for more information.

EUB TUTORING: The Economics department offers tutoring to students who have a hard time with Economics-related courses. Tutoring is on a drop-in basis, usually first-come, first-served, though the tutor may consider the length of questions when deciding who to help first. Refer to the EUB Tutoring schedule online for more information: <http://depts.washington.edu/ecnboard/eub-tutoring/>.

COURSE TOPICS AND CHAPTERS:

* Note: The following schedule is subject to changes as the course progresses.

PART I: INTRODUCTION – WHAT IS MACROECONOMICS?

1. How to Measure Different Aspects of the Macroeconomy (GDP, Price Index, Unemployment)

► Textbook: Blanchard, Chapter 2

► Further Reading:

- “Grossly Distorted Picture,” The Economist, Mar 13, 2008 (<http://www.economist.com/node/10852462>).
- “How Nigeria’s Economy Grew 89% Overnight,” The Economist, Apr 7, 2014 (<http://www.economist.com/blogs/economist-explains/2014/04/economist-explains-2>).
- “A New Reason to Question the Official Unemployment Rate,” New York Times, Aug 26, 2014 (<http://www.nytimes.com/2014/08/26/upshot/a-new-reason-to-question-the-official-unemployment-rate.html>).

PART II: BUSINESS CYCLE THEORY – THE ECONOMY IN THE SHORT RUN

2. The Goods Market – Consumption, Investment, and Government Spending

► Textbook: Blanchard, Chapter 3

► Further Reading:

- “U.S. Consumer Spending Surges, Brightening Economic Outlook,” New York Times June 25, 2015 (<http://www.nytimes.com/2015/06/26/business/economy/us-consumer-spending-surges-brightening-economic-outlook.html>).

3. Financial Markets – Money and Interest Rates

► Textbook: Blanchard, Chapter 4

► Further Reading:

- “Money From Heaven,” The Economist, Apr 23rd, 2016 (<http://www.economist.com/news/finance-and-economics/21697227-get-out-slump-worlds-central-banks-consider-handing-out-cash-money>).

4. Goods and Financial Markets: Building the IS-LM Model

- ▶ Textbook: Blanchard, Chapter 5
- ▶ Further Reading:

- “A Working Model,” The Economist, Aug 11th, 2005 (<http://www.economist.com/node/4274896>).
- “US Consumer Confidence Index Falls,” Wall St. Journal Oct 27, 2015 (<http://www.wsj.com/articles/u-s-consumer-confidence-index-falls-1445955164>).

PART III: CLASSICAL THEORY: THE ECONOMY IN THE MEDIUM RUN

5. The Labor Market – Unemployment and Wages

- ▶ Textbook: Blanchard, Chapter 6
- ▶ Further Reading:

- “Minimum Wages: Employment Down, Productivity Up?” The Economist, Apr 1st, 2016 (<http://www.economist.com/blogs/buttonwood/2016/04/minimum-wages>).
- “The Force Awakens,” The Economist, Apr 30th, 2016 (<http://www.economist.com/news/united-states/21697855-labour-force-participation-rising-again-last-force-awakens>).

6. Putting All Markets Together – The AD-AS Model

- ▶ Textbook: Blanchard, Chapter 7
- ▶ Further Reading:

- “Brazil Austerity Plan Under Growing Fire in Congress,” Reuters, May 8th, 2015 (<http://uk.reuters.com/article/uk-brazil-economy-levy-insight-idUKKBN0NT0BZ20150508>).
- “No Short Cuts,” The Economist, Oct 27, 2012 (<http://www.economist.com/news/finance-and-economics/21565150-short-term-austerity-aftermath-severe-crisis-may-prove-more-painful>).
- “QE, or Not QE?,” The Economist, Jul 14, 2012 (<http://www.economist.com/node/21558596>).
- “Why Negative Interest Rates Are Becoming the New Normal,” New York Times (*Upshot*), Dec 3, 2015 (<http://www.nytimes.com/2015/12/04/upshot/why-negative-interest-rates-are-becoming-the-new-normal.html>).

7. The Phillips Curve, Natural Rate of Unemployment, and Inflation

- ▶ Textbook: Blanchard, Chapter 8
- ▶ Further Reading:

- “Curve Ball,” The Economist, Sep 28, 2006 (<http://www.economist.com/node/7967976>).
- “Put Out,” The Economist, Jul 2, 2009 (<http://www.economist.com/node/13942092>).

8. Review for Midterm

*** Midterm ***

PART IV: GROWTH THEORY – THE ECONOMY IN THE LONG RUN

9. Economic Growth I: Saving, Capital Accumulation and Output

- ▶ Textbook: Blanchard, Chapters 10 and 11
- ▶ Further Reading:
 - “Capital in the Long Run,” The Economist, Jan 8th, 2014 (<http://www.economist.com/blogs/freeexchange/2014/01/inequality>).
 - “Patience: The Big Virtue,” The Economist, Feb 23rd, 2015 (<http://www.economist.com/blogs/buttonwood/2015/02/economic-growth>).
 - Smith, Noah, “Immigration is Tough for Japan,” Bloomberg News, Dec 7, 2015 (<https://www.bloomberg.com/view/articles/2015-12-07/immigration-is-a-tough-one-for-japan-to-swallow>).

10. Economic Growth II: Technological Progress and Growth

- ▶ Textbook: Blanchard, Chapters 12 and 13
- ▶ Further Reading:
 - Krugman, Paul, “The Myth of Asia’s Miracle,” Foreign Affairs, Nov 1994. (http://econ.sciences-po.fr/sites/default/files/file/myth_of_asias-miracle.pdf)
 - Krugman, Paul, “The Big Meh,” New York Times, May 25th, 2015 (<http://www.nytimes.com/2015/05/25/opinion/paul-krugman-the-big-meh.html>).
 - “Secret Sauce,” The Economist, Nov 12th, 2009 (<http://www.economist.com/node/14844987>).

PART V: THE OPEN ECONOMY

11. Openness in Goods and Financial Markets

- ▶ Textbook: Blanchard, Chapter 18
- ▶ Further Reading:
 - “Finance and Economics: Big MacCurrencies,” The Economist, Apr 27th, 2002 (<http://www.economist.com/node/305167>).

12. The Goods Market in an Open Economy

- ▶ Textbook: Blanchard, Chapter 19
- ▶ Further Reading:
 - “Ready to Pounce,” The Economist, Apr 11th, 2002 (<http://www.economist.com/node/1081716>).
 - “Currency Peace,” The Economist, Feb 21st, 2015 (<http://www.economist.com/news/finance-and-economics/21644205-devaluing-yuan-would-do-china-more-harm-good-currency-peace>).

13. Output, the Interest Rate, and the Exchange Rate

- ▶ Textbook: Blanchard, Chapter 20
- ▶ Further Reading:
 - “Burger-Thy-Neighbour Policies,” The Economist, Feb 5, 2009 (<http://www.economist.com/node/13059709>).
 - “Fight or Flight,” The Economist, Jan 16th, 2016 (<http://www.economist.com/news/finance-and-economics/21688440-chinas-leaders-face-menu-unappealing-exchange-rate-options-fight-or-flight>).
 - “America’s Euro,” The Economist (*Free Exchange*), May 7, 2010 (http://www.economist.com/blogs/freeexchange/2010/05/optimal_currencies).
 - “Currency Dilemmas,” The Economist, Nov 18, 2000 (<http://www.economist.com/node/426630>).

14. Review for Final Exam

*** Final Exam ***

GRADING POLICY: Homework (20%), one Midterm (35%), and one Final exam (45%).

- ▶ Homework: They will consist of questions that ask your understanding of the materials and I strongly recommend going through the questions thoroughly. I will pick two questions per problem set randomly and grade them only. Among your homeworks, **the lowest score will be dropped** and not be counted towards your final grade. Your homework will be collectively worth 20% of your course grade.
- ▶ Exams: We will have two exams in this class, one midterm and one final exam. They will **NOT** be cumulative. Please bring a simple calculator to all of the exams. Graphing calculators are **not** allowed in any of the exams in this course. The midterm and final exams are worth 35% and 45% of your course grade respectively.

GRADING AND THE GRADE SCALE: The grades in this class are not curved. The table I have below is a (very preliminary) grade scale. Note that it will be adjusted along the way to maintain a median grade for this course in the 2.9-3.1 range if needed.

When it comes to giving out final grades, **my basic policy is to award students who have worked hard during the quarter**. If you come to lectures, do your homework and keep up with the workload, it shouldn’t be difficult to achieve a good grade. Even if you initially have a hard time catching up with the material and not get a satisfactory score in the midterm, if you do better in the final I will take your effort into account. Show me your effort in this course and you will be rewarded with a good grade.

Table 1: Grade Scale (Preliminary)

Percentage	Letter Grade Equivalent	Numeric Grade
94-100	A	3.9-4.0
90-93	A-	3.5-3.8
87-89	B+	3.2-3.4
84-86	B	2.9-3.1
80-83	B-	2.5-2.8
77-79	C+	2.2-2.4
74-76	C	1.9-2.1
70-73	C-	1.5-1.8
67-69	D+	1.2-1.4
64-66	D	0.9-1.1
60-63	D-	0.7-0.8
Below 60	F	0.0-0.6

IMPORTANT DATES:

Midterm8:30 - 10:20am, Nov. 1st (Tuesday), 2016 @ SIG 225
 Final Exam 10:30 - 12:20pm, Dec. 13th (Tuesday), 2016 @ SIG 225

UNIVERSITY HOLIDAYS (NO CLASS):

Thanksgiving November 24th (Thursday)

MAKE-UP EXAMS: I will require both the phone number and address of the doctor/clinic in order to verify the authenticity of the documentation you provide. For example, if you miss the Midterm, I will have the weight for the Midterm shifted to the Final Exam (meaning your Final Exam will count towards 80% of your course grade). There is no make-up for the Final Exam. If you miss the Final Exam you will earn an incomplete grade for this course.

COURSE POLICY:

- ▶ The best way to receive a good grade in this course is to motivate yourself with the desire to learn and do the problems for each chapter regularly. Also, if you have trouble understanding and following the course, seek help immediately. You have a lot of good resources at hand: your peers, the textbook, EUB tutoring, and of course, me.
- ▶ There will be no extra papers, assignments, or other ways for you to increase your grade anytime during or after the quarter. In case you aim for a certain grade, in order to prevent the chance of a disappointingly low grade, you should aim about a 0.4 grade higher than the minimum grade you desire. For example, if you want to make sure you receive a 3.0 in this class, please aim for at least a 3.4. I have no policy of assigning extra work in order to increase a grade you are not happy with once you commit yourself to attending and completing this course.
- ▶ I will not weigh any of your tests in a different manner from the general rule, unless you missed the midterm due to unavoidable circumstances (I sometimes encounter this type of

request after the midterm). Please do not ask me to possibly weigh some of your tests more or less.

STUDENT ATHLETES: If you are a student athlete, inform me as soon as possible, especially if your commitments as an athlete conflict with exam dates. I will be able to accommodate you better if you notify me earlier. In this case, you will be expected to bring in a letter from the athletics department explaining your situation.

CLASS POLICY:

- ▶ Regular attendance is essential and expected for your own learning.
- ▶ Be courteous when using mobile devices. Make sure your cell phone is turned fully off or silent. No texting, reading emails, playing games, or whatever else that could distract others from learning.
- ▶ Missing one class could easily lead to a disastrous domino effect. If you have to miss a lecture, then I strongly recommend you study the material you missed before you return to class. I will assume that you know all the material covered in class. You are responsible for making up anything that was covered in lectures you missed. If you miss a lecture, I recommend doing the following:
 - Photocopy and read notes from someone else who was in class,
 - Read the relevant sections from the lecture notes, textbook, etc.

After you have done this, contact me if you need clarification on any materials.

EXAM POLICY:

- ▶ Material allowed during a closed book exam
 - All books, papers, notebooks, etc., must be placed inside your backpack or other type of bag, which must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach.
 - Only a basic 4-function or a scientific calculator may be used during an exam. Graphing calculators will not be allowed. Sharing of calculators is not permitted.
 - No other electronic devices can be accessible during the exam. 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.
 - Baseball caps and any other kinds of headgear that conceal your eyes are not permitted.
- ▶ Attendance and special accommodation
 - You are not allowed to leave the room during the exam. This includes restroom use; be sure to use the restroom before the beginning of the exam.
 - 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.

- If you have a documented disability, please bring documentation from the Office of Disability Resources for Students on the first day of class, so that I can make any arrangements required for accommodations.

ACADEMIC HONESTY:

1. Exams are individual work and cheating will not be tolerated. Looking at a neighbor's exam is considered cheating. If a student is seen committing this act, they will not be allowed to continue taking their exam. The neighbor sitting next to the student will also be duly punished if they are seen as facilitating this act of cheating.
2. Altering an exam before submitting it for a review of the grading, obtaining an advance copy of an examination, or arranging for a surrogate test-taker are all flagrant violations of University policy.
3. Cheating of any kind may result in expulsion from the University. The Department will follow University policy in case of academic misconduct. I strongly recommend that you review the University policy on 'What is Academic Misconduct?' at

<http://www.washington.edu/uaa/advising/finding-help/not-doing-well/>

Students found to have engaged in academic dishonesty will be subject to sanctions, which range from a disciplinary warning to permanent expulsion from the University, depending on the seriousness of the misconduct.