

Economics-201: Principles of Macroeconomics *Spring 2016*

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Please read the following carefully:

Overall Description of the Course: 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, 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.

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
- 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 and Related Reading Material: Our main textbook is Principles of Macroeconomics (3rd ed.), by Paul Krugman and Robin Wells **no Launchpad needed.**

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 201A 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. Supply and Demand, the basic models of markets and trade. Chapter 3.
3. Introduction to Macroeconomics, history of macroeconomics as a discipline. Chapter 6.
4. 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.
5. 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
6. 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.
7. 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
8. 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.
9. Fiscal Policy: How can the government respond to recession? What does the government do with the taxes and spending it carries out? Chapter 13.
10. 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
11. 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.
12. 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 importance of financial crises. Chapter 17. We'll see.

Evaluating student learning:

- **Homework:** We will have up to five homework assignments throughout the quarter. These will be posted on canvas or by email and you will have a week to work on them. These are collectively worth **10 percent** of your grade.
- **Quizzes:** There will be two in-class quizzes and together they will account for **25 percent** of your grade. **Tentative Dates: 14th April, 19th May.**
- **Exams:** There will be two exams, a Midterm and a Final Exam. Your Exams are collectively worth **60 percent** of your grade; each worth 30 percent. These exams will be non-cumulative. **Tentative Dates: 24th April, 2nd June.**
- **Article Response:** You need to submit one article response (**maximum 1 page in length**), which is due on or before the last day of class. For this you need to find a news article from a major daily like the Wall Street Journal or New York Times (**No blogs will be accepted**). The article should have been published anytime after March 30, 2016. The article must be related to macroeconomic concept covered in class. This will count towards **5 percent** of your overall grade.

Grading and the grade scale:

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.

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 Midterm, 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.

Exam Taking Rules:

1. Material allowed during a closed book exam.
 - i. 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.
 - ii. 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.
 - iii. 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.
 - iv. Baseball caps and any other kinds of headgear that conceal your eyes are not permitted.
2. Attendance and special accommodation

- i. 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.
 - 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 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.
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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 University policy at <http://www.washington.edu/uaa/advising/help/academichonesty.php>
- 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.