

ECON 201 K: INTRODUCTION TO MACROECONOMICS

Spring 2018

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Lecture: M-F 1:30 – 2:20 (CDH 105)
Office Hours: W 2:45 – 4:45 (SAV 319D)

Disclaimer: This syllabus is tentative and may be subject to change

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.

Course Page: <https://canvas.uw.edu/courses/1200166>. You are responsible for regularly checking it and staying on top of announcements, including the reading and homework schedules.

Sapling homework: <http://www.saplinglearning.com/ibiscms/course/view.php?id=78586>

Required textbook: Krugman and Wells, “Macroeconomics”, 4th Edition, *with Sapling*.

You can purchase it at the University Bookstore, which offers both a physical copy and an e-book for slightly cheaper. You could also get an earlier edition, though it may exclude some of the additional topics or problems at the end of chapters, and you would have to purchase the access to Sapling separately.

Important dates:

Midterm Friday, April 27th
National Holidays Monday, May 28th
Final Exam Monday, June 4th

Grading:

Midterm 35%
Final Exam 45%
Sapling homework 20%

Homework from Sapling. There will be problem sets assigned in Sapling. These will be assigned approximately weekly and will be automatically graded. 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 those concepts.

Exams. There will be two exams, both conducted in the lecture hall. Please bring a simple scientific calculator. The final exam is not cumulative, but requires understanding of the material from the first part of the course. Be aware that exams will only be made up in cases of a properly-documented incapacitating illness, a family emergency, or representing the university in approved sports or cultural activities. It is your responsibility to plan your departure from campus at the end of the quarter to avoid conflicts with the final exam.

The Department of Economics at UW requires that the median GPA for all undergraduate economics courses fall within the range of 2.8 – 3.1. A student who receives a median grade on every assignment can expect a final GPA somewhere in that range.

I reserve the right to reward students who do extremely well on the final and/or show a pattern of sustained improvement throughout the quarter.

Topics and Chapters:

1. Review of graphs in economics; Supply and Demand [*Chapter 2 Annex, Chapter 3*]
2. Introduction to Macroeconomics, history of macroeconomics as a discipline. [*Chapter 6*]
3. 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&8*]
4. 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*]
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. [*Chapter 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*]. Or maybe we'll talk about the most recent recession and the important of financial crises. [*Chapter 17*]. We'll see.

Student Learning Goals. The goals for your learning fall into a couple of categories:

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

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

How to study effectively:

- Read the relevant parts of the 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.
- Take notes during class, but it is not necessary to copy every slide. The slides will be posted online. You are welcome (and, in fact, *encouraged*) to ask questions during class. Someone else might have the same question!
- 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.

Available resources / extra help:

EUB tutoring:

The Economics Undergraduate Union provides drop-in tutors at Savery 328. For more information, see <http://depts.washington.edu/ecnboard/eub-tutoring/>

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

Econ 201 is a 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 their website: <http://webster.uaa.washington.edu/asp/website/get-help/clue/home/>

Exam Taking Rules:

1. Materials allowed during a closed book exam:

- (a) 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.
- (b) 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.
- (c) No other electronic devices can be accessible during the exam. Cellphones must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use your phone during an exam. Doing so will result in the termination of your exam time.
- (d) Baseball caps and any other kinds of headgear that conceal your eyes are not permitted.

2. Attendance and special accommodation

- (a) 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.
- (b) The University of Washington is committed to providing access and reasonable accommodation in its services, programs, activities, education and employment for individuals with disabilities. For information or to request disability accommodation contact: Disability Resources for Students (Seattle campus, matriculated students) at (206) 543-8924, (206) 543-8925, or email at uwdss@uw.edu
- (c) Student athletes who have conflicts with attending any lecture or submitting any assignment should submit a list of such conflicts along with a letter from the athletics department by October 5th. I will reasonably accommodate any student athlete who follows this guideline.

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/>

Miscellaneous:

There will be no extra papers, assignments, or any other way 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 disappointing 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.

Students are strongly encouraged to ask questions and foster discussion in class. These questions and discussions are useful in helping us all understand economics better.

The text and lectures are considered complementary. That is, a student will be most successful in this class when using both, rather than one or the other. Some material from the lecture may not be

covered in the text and vice versa, so it's extremely important to take good notes during lecture as well as read the assigned sections of the text.

Learning the economic way of thinking is a demanding undertaking. This discipline requires at least three sets of skills from students. You need to: i) learn new concepts, vocabulary and, essentially, the language of economics; ii) learn to use abstract tools to model human economic behavior; and iii) learn to apply those tools to understand the likely consequences of various forces (government policies as well as other economic, social and natural events).

As such, applying the tools of economic analysis and ultimately learning the economic way of thinking requires a lot of practice. It is a great idea to form a study group (2-4 members) among peers in your class to discuss the material of the course and/or do practice problems together.

Please do not address the problems in your head only. Rather, use the concepts you learn plus the reasoning process to write out the solutions in full. The analysis is graphical but it also uses a basic level of geometry, algebra, and arithmetic. You should also write out some explanations about your graphical and mathematical solutions.