

ECON 301C INTERMEDIATE MACROECONOMICS

Spring 2020

Instructor:	Luis Diego Granera	Time:	MW 10:30 am – 12:20 pm
Email:	granera@uw.edu	Place:	Zoom
Office Hours:	T 1-3 pm	Office:	Zoom

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

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. In microeconomics you learned how *individuals* make optimal choices (like consumption and hours of work). Now we will shift our focus to the choices of the *whole economy* (or the “aggregate”).

To that end, we will develop a theoretical framework to explain movements in aggregate economic variables in the short, medium, and long run, in both normal times and times of economic crisis. We start with the set of economic concepts that you learned in your principles courses, and develop them further by making greater use of mathematical 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 over the next ten weeks, there is no one specific model that explains all facets of the economy. Thus, we will introduce different economic models for you to use and compare in the context of current events and policy debates.

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

- The importance of microeconomics as a foundation for macroeconomics
- How aggregate economic activity is measured at the level of a nation
- How basic models of the economy summarize and explain the interactions between output, employment, and inflation
- What causes economic activity to fluctuate over the years, from recessions to full employment and back
- The role of government in trying to smooth out these fluctuations
- The links between the domestic economy and the rest of the world
- The differences between adjustment in the short run and adjustment in the long run
- 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
- How the economy grows in the very long run through capital accumulation and technological progress
- Specific concepts like dynamics and expectations
- Media accounts of macroeconomic events.

Prerequisites: ECON 300, ECON 201 and one of MATH 112, 124, or 134. Refer to *Appendix 2: A Math Refresher* in Blanchard if you need a review of your calculus.

Course Page: <https://canvas.uw.edu/courses/1372170>. You are responsible for regularly checking it and staying on top of announcements, including the reading and homework schedules. You should make sure to be able to receive emails from Canvas.

Required Textbook/Materials

- Olivier Blanchard, *Macroeconomics*, Pearson, 7th ed., 2017
- Access to MyEconLab (online learning resource)

You can purchase all at the University Bookstore, which offers a loose-leaf physical copy of the book along with online access for about \$160. Alternatively, you may purchase MyLab from the publisher directly with an e-book for \$120 and \$70 without, if you already have the book. Do note that the book underwent a major revision for this edition, so unfortunately previous editions are not adequate substitutes. Should you choose to use a previous one, you would be responsible for any differences.

Important dates

Quizzes	About every other week
Midterm	Wednesday, April 29th or TBA
National Holiday	Monday, May 25th (Memorial Day)
Final Exam	Monday, June 8th, 8:30-10:20 am

Grading

Quizzes	25%
Midterm	20%
Final Exam	20%
MyLab homework	35%

This is my procedure for curving scores: Let S be a set of student scores, and $s_i \in S$ the score of student i . For any category, student i 's curved percentage, p_i , is $p_i = \frac{s_i + \alpha(s_{max} - s_i)}{s_{max}}$, where α is such that the median curved percentage lies between 72.5% and 77.5%, and $s_{max} \in S$ is the maximal element in S . At the end of the term, each student i receives a weighted-average curved percentage according to the formula $\bar{p}_i = 0.25p_{i,quizzes} + 0.20p_{i,midterm} + 0.20p_{i,final} + 0.35p_{i,homework}$. The table below provides the conversion from weighted-average curved \bar{p}_i percentages to final grades on the 4.0 grading scale. [Here](#) is some further information on interpreting grades on the 4.0 grading scale.

Grade Scale

\bar{p}_i score	4.0 scale	grade	\bar{p}_i score	4.0 scale	grade
100	4.0	A	57.5	2.3	C+
97.5	3.9	A	55.0	2.2	C+
95.0	3.8	A-	52.5	2.1	C
92.5	3.7	A-	50.0	2.0	C
90.0	3.6	A-	47.5	1.9	C
87.5	3.5	A-	45.0	1.8	C-
85.0	3.4	B+	42.5	1.7	C-
82.5	3.3	B+	40.0	1.6	C-
80.0	3.2	B+	37.5	1.5	C-
77.5	3.1	B	35.0	1.4	D+
75.0	3.0	B	32.5	1.3	D+
72.5	2.9	B	30.0	1.2	D+
70.0	2.8	B-	27.5	1.1	D
67.5	2.7	B-	25.0	1.0	D
65.0	2.6	B-	22.5	0.9	D
62.5	2.5	B-	20.0	0.8	D-
60.0	2.4	C+	17.5	0.7	D-

Homework from MyLab. There will be problem sets assigned in MyEconLab. 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.

Quizzes and Exams. There will be a short quiz about every other week, as well as two exams, all conducted during the regular class time. 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 or a family emergency.

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.

Content Guide

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, Chapters 5 and 6
- 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 7
- 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. 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>).

7. Putting All Markets Together – The IS-LM-PC Model

- Textbook: Blanchard, Chapter 9
- Further Reading:
 - “Brazil Austerity Plan Under Growing Fire in Congress,” Reuters, May 8th, 2015 (<http://uk.reuters.com/article/uk-brazil-economy-levy-insight-idUKKBNONT0BZ20150508>)
 - “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>).

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

8. 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/freexchange/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>).

9. 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 (if time permits)

10. Openness in Goods and Financial Markets

- Textbook: Blanchard, Chapter 17
- Further Reading:
 - “Finance and Economics: Big MacCurrencies,” *The Economist*, Apr 27th, 2002 (<http://www.economist.com/node/305167>).

11. The Goods Market in an Open Economy

- Textbook: Blanchard, Chapter 18
- 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>).

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

- Textbook: Blanchard, Chapter 19
- 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>).

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.

Additional resources/ help available

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 301 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 301 will be announced on their website: <http://webster.uaa.washington.edu/asp/website/get-help/clue/home/>

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 at any time 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.

Exam Taking Rules

1. Open book exam rules:

- (a) You are allowed to use your notes, including any summaries you prepare, and your textbook.
- (b) You may not consult the internet.
- (c) You must be on Zoom with your video on during all quizzes and exams.

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 the end of the second week. I will reasonably accommodate any student athlete who follows this guideline.