

Economics 201B: Principles of Macroeconomics

Spring 2020

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Office Hours: Mon Wed 2:30 – 3:30 via zoom and by appointment

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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 and quiz sections, 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 Macroeconomics (5th ed.), by Paul Krugman and Robin Wells (published by Macmillian, 2018) **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.

*I'm still working with their people to set up a course website for us on Macmillian. I'll inform you once it's all ready.

Video recording of lecture:

Lectures will be recorded using Zoom. These recordings can be accessed in Canvas.

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 are 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 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 30% of your course grade.** The grade for the first HW, chapters 1 and 2, will not count as part of your course grade. This first HW will act as a practice run. For most of you, sapling will allow multiple trails for each question, so I will have to change the grading policy on sapling so that the first correct attempt will give you the full points and more attempts will decrease the max points you get.
- **Exams:** There will be five exams. They are given bi-weekly on Week 2, 4, 6, 8, 10. All tests are required to be closed book and you should turn on your camera while taking the exam. It will be an hour long and you will need a calculator for some of the questions on your quizzes/tests. Graphing calculators are not allowed in any of the exams in this course. **Your Exams are collectively worth 60% of your grade; we will also drop one of you lowest exam scores. So each exam is worth 15%.**
- **Article Responses:** You will submit two article responses over the semester. For each, you will find a news article from a major newspaper or periodical (either in its physical format or online incarnation) that 1) was written after the previous response was due, and 2) relates to a course topic taught after the previous response was due. We will not accept articles from aggregators (Google, Yahoo, AP feeds), nor from blogs or opinion pieces, even if they are hosted on news sites. *The only acceptable sources for this article response are The Wall Street Journal, The Financial Times, and the New York Times.* You must describe, in your own words, the issues presented in the article, and then summarize how the material taught in class explains the information, events, or phenomenon in the article. This economic explanation must relate to a theoretical graph (one with some sort of equilibrium, like Supply and Demand, the PPF). The graph must be drawn and included in your response. Late responses are not accepted. The written component of the response should fit on the provided form, and not longer than one additional page. Be brief! Responses will be evaluated in a very simple manner, out of 5 points. **The Article Responses are collectively worth 10% of your grade.**

The Schedule of Readings, the exam dates, and other deadlines can be found later on the Canvas site.

Grading and the grade scale:

The grades in this class are not curved. Rather, 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. We 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 range on the preliminary grade scale, we will adjust the grade scale accordingly.

Late Policy:

I suppose there should be no late exam because we are taking them during class time and we will turn them in at the same time. If you miss an exam, check the make up policy. If you know you will need to turn an assignment in late, please email me before the assignment is posted. In the case of an emergency exceptions can be worked out. You have to notice. **There is no making up missed homework from Sapling.** For this reason, we **strongly** recommend not leaving your homework until the last minute.

Make-up Policy:

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 exams, we will write a make-up again with documentation from a clinic or a doctor. If you miss one exam, that exam will be the one dropped as your “lowest score.” If you miss a second exam I will make a new one at the end of the quarter and you will take it over Zoom together at another time. If you miss the Midterms due to sickness or family emergency, we will reschedule when you take it. If you miss more than two exams during the quarter, you will probably earn an *incomplete* grade for this course unless you have a sound reason and proofs for your situation.

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.

Note 1: The best way to receive a good grade in this course is for you to cultivate a desire for learning the material, and, also do the problems for each chapter/week regularly.

The less effective way of getting a good grade is to make your primary incentive for studying the material earning a good grade. Students who desire to learn and do the problems and exercises thoughtfully, will generally also receive good grades. Those who just learn enough to get a good grade may commit short cuts just to earn a grade and their grades usually do not live up to their expectations. These students may finish the quarter disappointed with their grades.

Note 2: 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. We 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.

Note 3: We will not weigh any of your tests in a different manner from the general rule. [We sometimes encounter this type of request after the first exam.] Please do not ask us to possibly weigh some of your tests more or less.

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. Clicker questions' points are part of the graded assignments in this course. Using more than one clicker while answering questions in the lecture is considered cheating. Students who bring their absent friend's clicker to class to record answers and earn grades for them will be duly penalized.
4. 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.

The following message is available from UW Human Resources.

UW Safe Campus

Preventing violence is everyone's responsibility. If you're concerned, tell someone.

* Always call 911 if you or others may be in danger.

* Call 206-685-SAFE (7233) to report non-urgent threats of violence and for referrals to UW counseling and/or safety resources. TTY or VP callers, please call through your preferred relay service.

* Don't walk alone. Campus safety guards can walk with you on campus after dark. Call Husky Night Walk 206-685-WALK (9255).

* Stay connected in an emergency with UW Alert. Register your mobile number to receive instant notification of campus emergencies via text and voice messaging. Sign up online at www.washington.edu/alert

For more information visit the Safe Campus website at

www.washington.edu/safecampus