

Syllabus for Econ 201 - Introduction to Macroeconomics

Instructor: Richard Walker

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updates: 4/5/20 (office hours; sections 1.1 & 5.1; Canvas for assignments); 4/6/20 (Emre's office hours); 4/7/20 (CST; wording re office hours/sections); 4/19/20 (Emre's office hours, no chance of campus instruction)

Email: richard-walker@northwestern.edu

1 Logistics

The class lectures will be asynchronous. That is, I will pre-record me going through lecture slides on Zoom. I will release one recording for each lecture we would have had if life were normal. The recordings will be available at or before the corresponding MWF 9am lecture times. All times indicated for office hours and assignments/exams are CST (i.e. Evanston time).

The lecture slides will be posted on Canvas, along with supplementary problems and written answers to the latter. In addition there may be short videos of me or a TA going through these problems. These problems will closely prefigure the short assignments that you will have in most weeks (see below).

~~There will be no distinction between discussion sections and TA office hours, and I will simply call these 'office hours' from now on.~~ People were finding this statement confusing. There are no discussion sections separate from office hours. The TAs are Jose Alvarado, Federico Puglisi and Emre Enes Yavuz. They and I will hold office hours on Zoom where you can come and ask questions about any of the class material. Days/times of these office hours ~~will be announced soon~~ are as follows:

RW: Tuesdays (9-11am)

JA: Mondays (5.30-7.30pm) & Wednesdays (5.30-7.30pm)

FP: Tuesdays (10am-12pm) & Thursdays (9.30-11.30am)

EEY: ~~Wednesdays Mondays (9-11am)~~ Mondays (3-5pm) and Fridays (9-11am)

You may attend my office hours and those of any TA as it suits you. Attendance is not mandatory. If you do want to attend then register beforehand using the link(s) on the front page of Canvas; there will be different links for the different office hours. Please register using your full name and your Northwestern email address. I will be using a Zoom waiting room for office hours, which means I will manually admit people as they arrive. If I don't admit you immediately just be patient, as it only means I haven't seen yet you because I'm talking to someone already in the meeting. You don't have to be there at the start of office hours but can turn up any time, just like in the real world.

There are advantages and disadvantages of the asynchronous approach that I'm largely adopting. Advantages include minimisation of technical problems, greater flexibility for students and less duplication of effort by TAs. The main disadvantage is that students might be less likely to engage with their instructors. I strongly encourage you to get to know your TA via Zoom! If at the end of the quarter a student is on the pass/fail borderline, evidence of class engagement (such as participation in office hours) or lack thereof will be used to decide whether or not that student passes.

1.1 What should you do each week?

On Canvas I will organise things by week using the 'Modules' section. For each week there will be a 'material' page that has everything you need to read and watch for that week. It will contain the slides that I will use in my pre-recorded lectures, links to the corresponding Zoom recordings, occasional written notes, supplementary questions (and answers) and whatever else I want you to absorb that week. Note that there will be no textbook readings on Canvas, as strictly speaking the textbook is optional (see below).

So, each week you should make sure to:

- Read and watch everything on that week's 'material' page.
- Do the supplementary questions before looking at the answers. This will be good practice for the assignments.
- If it's an assignment week (see below), complete the assignment. Practical instructions will follow. If it's an exam week, prepare for the exam.

2 Evaluation

- Six short assignments, due at 6pm on Fridays of weeks 1,2,4,5,7 and 8. [5% each.]
- Two midterms at 9am on Friday April 24th (week 3) and Friday May 15th (week 6). [20% each.]
- A final exam on Tuesday June 9th (exam week) at 12pm. [30%.]

The final exam will focus on the final third of the class, but will also touch on the first two thirds. That's why it's worth 30%. [More precisely, seven ninths of the final exam will be on the final third of the class material, with one ninth on each of the first two thirds. This makes each third of the class carry equal weight overall.]

~~All of the assignments and exams will be administered via Crowdmark while we are operating remotely.~~ While we are operating remotely the two midterms and the final will be administered via Crowdmark, while the six assignments will be submitted through Canvas. The latter will be due at 6pm on the respective Fridays, and the questions will be posted no later than Thursday night. These assignments should take no more than half an hour to complete. I will try to cover the relevant material a couple of days *before* the assignment is due, but in some weeks (week 1 for example) the timing might be a bit tighter than that.

The midterms will be administered 'live'. That is, the questions will be posted at 9am on the respective Fridays and you will have until 10.20am to submit your answers on Crowdmark. The midterms will be designed to take 50 minutes to complete, which gives you 30 minutes to submit answers. The final will be similarly administered, with the questions posted at noon on June 9th and a Crowdmark deadline of 2pm that day.

~~**Important:** I reserve the right to change this evaluation scheme should we be allowed to return to regular campus instruction. If this happens I will make sure that any assessments already completed count for at least as large a percentage of the class as under the plan detailed above.~~

As we proceed through the quarter I will keep you abreast of your relative standing in the class by occasionally publishing score-grade correspondences. These will indicate the letter grade to which your current weighted average corresponds. I will of course award only Passes or Fails at the end of the quarter, with Passes going to those who have earned a D or above.

3 Course Overview

This is an introductory course in economics with an emphasis on macroeconomics. The first, more ‘microeconomic’ third of the course will cover general topics such as scarcity, choice, how the market system works and the effects of government intervention. This will take us up to the first midterm. We’ll then turn to long-run macroeconomics and consider such things as economic growth and unemployment. This should take us through to the second midterm. We’ll then look at money and inflation. We’ll finish with short-run macroeconomics, with a focus on the role of monetary and fiscal policy in stabilising the business cycle. En route, time permitting, we will consider issues such as the role of economic policy in addressing environmental concerns and the 2007-8 financial crisis in the US. We might even talk about the macroeconomic effects of the current pandemic.

The only prerequisite for the course aside from an interest in the subject is high-school algebra. There will be some equations. There will also be lots of diagrams containing such things as supply and demand curves; you will be expected to (learn how to) interpret and manipulate such diagrams yourselves.

4 External support

There are two external sources of support for the class. Blurbs pasted below.

4.1 Quarter-Long Virtual Study Group Opportunity – Registration Required

If you would like to study with other students in this class, consider joining a Peer-Guided Study Group. Participants will meet weekly - through Zoom while the University is operating remotely - with about 5 to 8 other students and a peer facilitator, a student who has already taken and done well in the course. During sessions, students review concepts, work through practice problems, bring their questions, and work together to develop answers. This is an excellent opportunity to connect with others in your class while we are physically separated. Students register for the full quarter on CAESAR and attendance is expected weekly. Study Group sessions are listed on CAESAR below course lecture and discussion sections (ex. CHEM 131-SG - CHEM 131-SG Peer-Guided Study Group: Quantitative Problem Solving in Chemistry). Feel free to contact Borislava at borislava.miltcheva@northwestern.edu with any questions.

4.2 Virtual Drop-In Peer Tutoring – No Appointment Needed

Students are welcome to stop by Drop-In Peer Tutoring - through Zoom while the University is operating remotely - to get support with a specific question or issue, or just talk through course materials with others.

Covers many introductory courses in Biology, Chemistry, Economics, Engineering, Math, Physics and Stats. Tutoring takes place Sundays through Thursdays. Check Zoom links, specific times, courses and locations on the Drop-In Peer Tutoring website. Feel free to contact Krystal at krystal.wilson@northwestern.edu with any questions. This is an excellent opportunity to connect with others in your class while we are physically separated.

Both the Study Groups and the Peer Tutoring are provided through Academic Support & Learning Advancement (<https://www.northwestern.edu/academic-support-learning/>). Wondering how to learn and stay engaged? ASLA's Learning During COVID-19 page has helpful tools and suggestions (<https://www.northwestern.edu/academic-support-learning/academic-strategies/learning-during-covid-19.html>).

5 Course materials

The textbook will be ‘*Modern Principles: Macroeconomics*’ [2nd edition, 2012] by Tyler Cowen and Alex Tabarrok. I recommend that you buy this book if you buy any book. A 3rd and now 4th edition are available, but I’m sticking with the 2nd as used copies might be easier to find and these textbooks are absurdly expensive. If you want to buy the later editions then that’s fine; you will have to find the appropriate readings yourself or ask me over Zoom. Amazon has used copies available: <https://goo.gl/Hr2uu5>.

I think it’s possible to do the class without the textbook. I tend to wander away from the book at various points, so there won’t always be readings in it that help very much with the class material.

Again, there will be slides for each topic posted on Canvas. These will be covered in my Zoom recordings. There will be three versions of the slides available: one identical to that I use in class; one in ‘handout’ form that omits the ‘dynamic overlays’ but otherwise resembles the version I go through; and one in ‘article’ form that’s even more compact. These slides will constitute the core material for this course. The exams will be based on their contents and on the supplementary questions I post. The textbook readings are there to supplement the slides. Again, for some topics there might be no appropriate textbook reading, and the slides may be your only resource. I may add readings from outside the textbook as we go along.

5.1 Recording policy

All instructors have been asked to include the following statement on all syllabi this quarter.

Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact AccessibleNU. Unauthorized use of classroom recordings - including distributing or posting them - is also prohibited. Under the University’s Copyright Policy, faculty own the copyright to instructional materials - including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display, or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording, or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.

6 Lecture topics

The plan is to tackle the following topics in order. If it seems we are falling behind schedule, my preference is to drop material from the syllabus rather than speed up. I will alert you as soon as this looks likely.

CT refers to the textbook.

Microeconomics

[1] Key concepts

How economists think (that people think). Tradeoffs and opportunity costs. Production possibility frontiers, specialisation and the wonders of trade.

CT ch 1 (skim), ch 2. *Notes on reading: just skim the '10 Big Ideas' in chapter 1, as I won't be paying much attention to half of them at this stage. Chapter 2 is important; if you have the 1st edition the same material is tucked away in the first half of Chapter 18, pp.381-387.*

[2] Markets and welfare

Supply curves. Demand curves. Equilibrium prices and quantities. Consumer and producer surplus. Efficiency.

CT ch 2, ch 3. *Notes on reading: none right now.*

[3] Government intervention

Price controls, quantity controls and taxation. Inefficiency, deadweight loss and elasticity. Externalities and the environment.

CT ch 4. *Notes on reading: the textbook is not good for the externalities/environment material; slides will be best resource here.*

The Macroeconomy in the Long Run

[4] National income accounting

Measurement. The circular flow: income equals output equals expenditure. Price indices.

CT ch 6. *Notes on reading: chapter 6 only covers the first half of this set of slides, i.e. the 'Income, expenditure and production' section. The textbook does have material on measuring inflation and CPI vs GDP deflator (see pp. 252-3, not much detail) and also on real vs nominal interest rates (see pp. 262-3)*

[5] Growth, investment and finance

The importance of economic growth. How the financial system allocates savings to investment projects. Some basic finance. Growth, the environment and intergenerational equity (time permitting).

CT ch 7, ch 8, ch 9 (pp 175-184). *Notes on reading: these readings more or less match my slides, but with slight differences of emphasis and also in a different order; for example I will cover the Solow model (which is in ch 8) after I talk about savings and investment (which is in ch 7). If we have time I'll also cover some material on the environment, but alas for this CT is not so good. It only covers 'present values' (which we'll need to discuss intergenerational equity) in the bond pricing appendix to ch 9, and I don't really want to talk about bond pricing. I think you're better off looking at the slides. I'll provide further readings on the environment if need be.*

[6] Unemployment

Frictional unemployment, structural unemployment. Unions, efficiency wages, hysteresis.

CT ch 11. *Notes on reading: as usual the slides deviate a little in terms of info and presentation, but I follow the book fairly closely. The main exception: I won't talk about determinants of the labor force, so you can skip the section on Labor Force Participation (pp.240-5). Also note that I don't talk about firing costs on the slides, but the topic does turn up in the discussion section.*

[7] Money and inflation

What is money? The quantity equation and the classical dichotomy. Expectations, money velocity and hyper-inflations.

CT ch 12. *Notes on reading: as usual the slides deviate a little in terms of info and presentation, but the book is decent. One section I don't really follow is the bit on wealth redistribution, pp.262-4; skim it but no more. I also talk more about (i) the role and evolution of money, and (ii) the mechanics of hyperinflation.*

The Macroeconomy in the Short Run

[8] Short-run fluctuations and policy

Short-run aggregate supply and aggregate demand. The role for government policy, fiscal and monetary.

*Notes on reading: the textbook is **not** useful for this topic. They approach things using a rather unusual framework for an intro macro class, one that I do like but that would only make sense to use if we had much more time. I will be **much** more concise than either book, and in fact will present things very differently. I've tried to make the slides as self-explanatory as possible here.*

[9] Monetary policy and the credit crunch

How the Fed actually 'controls' the money supply. How did we get from subprime mortgage defaults to the financial crisis?

CT ch 15. *Notes on reading: book is pretty good here. The appendix to this chapter covers the deposit creation process in some detail, as I do on the slides (but with pictures). Note that the book mentions a recent Fed policy innovation that I do not plan to cover, namely the payment of interest on reserves.*

7 Comments, policies

- The midterm and final dates/times are not negotiable.
- If you miss an exam for whatever reason (illness, wedding, prison. . .) then you will have to do a makeup exam, your percentage score on which will be capped at the average of the other two exams. For example, say you missed a midterm and your average on the other two exams ends up being 80%. If you get 70% on the makeup-midterm then you will receive a score of 70% for that midterm. If you get 90% on the makeup-midterm then you will receive a score of 80% for that midterm.
- If you don't understand something as we're going through it, that's fine. Just be sure to come to office hours (mine or your TA's) very quickly to sort things out. The nature of the course means that falling behind is a bad thing.
- There will be no *ex post* reweighting of the relative contributions of assignments and exams to the final grade. Please don't ask, as I find saying no painful, though not painful enough never to say it.