

Syllabus for Econ 201 - Introduction to Macroeconomics

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Office hours: Mondays, Wednesdays & Fridays from 9-10am.

Important: we are officially due to ‘meet’ at the following days and times: Monday, Wednesday and Friday, 9-9.50am. The general asynchronicity of this class notwithstanding, you **cannot** take it if you have another class that conflicts. This is because (i) the midterms will occur during these times and (ii) my office hours will be during these times. That last point is salient; I think office hours are even more important under the current circumstances than they usually are, and encourage you to attend either mine or those of the TAs.

All times indicated for office hours and assignments/exams are CDT, i.e. Evanston time.

1 Logistics

The class lectures will be asynchronous. I will pre-record me talking mostly about macroeconomics, and will release a few recordings for each lecture that we would have had if life were normal. I will make clear just which of these lectures correspond to which days, and my advice is to keep up with my suggested Monday/Wednesday/Friday viewing schedule. While occasionally it might happen that the recordings for a given day are very slightly over 50 minutes, I will make sure that, taken together, a given week’s recordings will amount to less than the 150 minutes of allotted class time.

The lecture videos will be available as mp4 files posted directly on Canvas. I suggest you download the files to a local drive and then watch them. [Canvas somewhat mysteriously treats mp4 files in an inconsistent manner. Some are downloaded when one clicks on the Canvas link, while others open automatically as videos in a new browser tab. In the latter case you can (at least with Chrome) still right-click on the video in the new tab and save it locally.]

1.1 sections

Students choose a particular section time when they register for the class. Each of you will be assigned a TA on that basis. **Important: sections will not operate as they normally would.** The plan is as follows.

- For each week I will post ‘supplementary questions’ on Canvas.
- Each week I will post a video where I go through these supplementary questions. I suggest that you attempt the problems yourselves before you watch this video. Economics is one of those disciplines where the answers can often seem obvious ex post, once you have them in front of you, but not ex ante.
- The scheduled sections, i.e. the TA/time to which each of you is assigned, will actually be office hours over Zoom. Attend them if you have questions about the supplementary problems (after watching the weekly video) or about class material in general. Your TA will also hold additional office hours and you can go to those as well. Office hour attendance is not mandatory.

You may attend my office hours and those of the TAs as it suits you. Again, attendance is not mandatory. Zoom links for office hours will be on the front page on Canvas. 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, reduced duplication of effort by TAs and greater flexibility for students. 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!

1.2 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 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 watching the associated videos and perhaps attending office hours. This will be good practice for the assignments.
- If it’s an assignment week (see below), complete the assignment. Practical instructions will follow. If there’s an exam on the horizon, prepare for the exam.

2 Evaluation

- Three assignments, due at 6pm on Friday April 16th, Friday May 7th and Friday May 28th. [10% each.]
- Two midterms at 9am on Monday April 19th and Monday May 10th. [21% each.]
- A final exam on ~~Monday~~ Wednesday June 9th at 9am. [28%.]

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 weighted more heavily than the midterms. [More precisely, ten twelfths of the final exam will be on the final third of the class material, with one twelfth on each of the first two thirds. This makes each third of the class carry equal weight in the three exams overall.]

The two midterms and the final will be administered online, via either Canvas or Crowdmark, while the three assignments will be submitted through Canvas.

The midterms will be administered 'live'. That is, the questions will be posted at 9am on the respective Mondays and you will have until 9.50am to submit your answers on Canvas/Crowdmark. The final will be similarly administered, with the questions posted at 9am noon on June 6th; the final will be longer than the midterms, but less than two hours. See the end of this syllabus for my policies on missed exams.

As we proceed through the quarter I will keep you informed 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 provisionally corresponds. It is very likely that the score-grade correspondence will differ from the one that some of you will have seen in US high schools.

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.

3.1 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 recordings. There will be three versions of the slides available: one identical to that I use in lectures; 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 weekly problems 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.

3.2 external support

There are two external sources of support for the class, both provided through Academic Support & Learning Advancement (<https://www.northwestern.edu/academic-support-learning/>). These are entirely optional.

3.2.1 Quarter-Long Virtual Study Group Opportunity – Registration Required

Any student in Econ 201 can register for a Peer-Guided Study Group. From <https://tinyurl.com/y6tztdqn>:

Students enrolled in an array of first-and second-year courses have the option of enrolling in a Peer-Guided Study Group alongside the course. Study Group participants meet weekly in groups of about 5 to 7 with a peer facilitator - another student who has taken and done well in the course (or, in some cases, an equivalent course). In the two-hour meetings, students talk through key concepts from the course, ask questions on points of confusion and help answer one another's questions, and work through practice problems or exercises together. The Study Groups are highly collaborative, comfortable environments where undergraduates can learn from one another and help one another succeed.

...

Registration for study groups is through CAESAR and opens on the first day of classes.

Contact Borislava Miltcheva at borislava.miltcheva@northwestern.edu with any questions.

3.2.2 Virtual Drop-In Peer Tutoring – No Appointment Needed

Students can also take advantage of Drop-In Peer Tutoring. From <https://tinyurl.com/y3fxgxth>:

Peer tutoring sessions provide a friendly, collaborative environment where you can come to get help, tackle homework, or study. Drop-in tutoring is a great way to get support with a specific question or issue, or just talk through course material with others. Tutors are experienced with the course material, and trained to help students learn and understand effectively. No registration is required; just come on by when you want, for as long as you want.

Contact Una McGeough at una.mcgeough@northwestern.edu with any questions.

4 Various statements

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

4.1 Academic Integrity Statement

Students in this course are required to comply with the policies found in the booklet, "Academic Integrity at Northwestern University: A Basic Guide". All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content. For details regarding academic integrity at Northwestern or to download the guide, visit: <https://www.northwestern.edu/provost/policies/academic-integrity/index.html>

4.2 Accessibility Statement

Northwestern University is committed to providing the most accessible learning environment as possible for students with disabilities. Should you anticipate or experience disability-related barriers in the academic setting, please contact AccessibleNU to move forward with the university's established accommodation process (e: accessiblenu@northwestern.edu; p: 847-467-5530). If you already have established accommodations with AccessibleNU, please let me know as soon as possible, preferably within the first two weeks of the term, so we can work together to implement your disability accommodations. Disability information, including academic accommodations, is confidential under the Family Educational Rights and Privacy Act.

4.3 COVID-19 Testing Compliance Statement

To ensure the health of our community, Northwestern University currently requires students who come to campus or interact with the campus community in person regularly to be tested for COVID-19 routinely. Students must keep the Community Interaction Survey in CAESAR up-to-date, which is the method by which students communicate such plans to the University. Community Interaction Survey status, enrollment in classes with face to face meetings, and/or living in an on-campus residence dictate the frequency with which students must be tested.

Students who fail to comply with COVID-19 testing or misrepresent their status in the Community Interaction Survey may face summary disciplinary action, including being restricted from campus or suspended.

4.4 Guidance on Class Recordings

This class or portions of this class will be recorded by the instructor for educational purpose and available to the class during the quarter. Your instructor will communicate how you can access the recordings. Portions of the course that contain images, questions or commentary/discussion by students will be edited out of any recordings that are saved beyond the current term.

[Note from RW: the only parts of the class that involve students are office hours and exams. Office hours will not be recorded. The Zoom meetings used to proctor the three exams will be recorded; these recordings will be deleted at the end of the quarter.]

4.5 Prohibition of Recording of Class Sessions by Students

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.

[Note from RW: basically this means you should not attempt to record office hours or the exams.]

4.6 Support for Wellness and Mental Health

Northwestern University is committed to supporting the wellness of our students. Student Affairs has multiple resources to support student wellness and mental health. If you are feeling distressed or overwhelmed, please reach out for help. Students can access confidential resources through the Counseling and Psychological Services (CAPS), Religious and Spiritual Life (RSL) and the Center for Awareness, Response and Education (CARE). Additional information on all of the resources mentioned above can be found here:

<https://www.northwestern.edu/counseling/>

<https://www.northwestern.edu/religious-life/>

<https://www.northwestern.edu/care/>

5 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 hyperinflation.

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 the 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.*

6 Comments, policies

- The midterm and final dates/times are not negotiable.
- If you miss an exam for whatever reason (illness, wedding, prison...) then I might allow you 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.
- Makeup exams might not happen until late in the quarter (e.g. finals week), or even next quarter; when a student misses an exam I often require that they take that exam the next time I teach the class. I teach Econ 201 again in Fall 2021.
- If you fail to submit an assignment by the due date I will not offer a makeup assignment. Instead I will allocate the weight of that assignment to the next exam. So, for example, should you fail to submit assignment 1 then midterm 1 will count for 31% (and not 21%) of your grade. [I do not suggest this as a strategy. The median scores on the assignments are typically close to 100%. The median scores on the exams are not.]
- Further to the previous point: if you somehow happen to score more highly on (say) midterm 1 than on assignment 1, do not ask if the midterm can count for 31%. I'll say no.
- 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.