

Syllabus for Econ 201 - Introduction to Macroeconomics

Instructor: Richard Walker

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Email: richard-walker@northwestern.edu

We will meet three times a week: Mondays, Wednesdays and Fridays, from 9-9.50pm in Harris 107. Office hour details (mine and the TA's) will be posted on Canvas.

You are allowed to use a laptop or tablet in class, but to do so you must be sitting in one of the first two rows.

All students are required to wear masks in class, at all times. I will take off my mask to lecture, as is permitted for fully-vaccinated instructors. I'll talk more about classroom policy when we first meet; for now take a look at the statement in section 4.3.

1 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 such issues 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 have to be comfortable with this kind of graphical analysis.

1.1 The first two weeks

The current (as of 12/24/21) plan is for remote instruction during the first two weeks of class.

- **Lectures will be asynchronous.** For each meeting we would have had if life were normal, I will release two or three recordings of me talking mostly about economics. My advice is to keep up with my suggested

Mon/Wed/Fri viewing schedule. While the recordings for a given day might be 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.¹

- **Official meeting times will be office hours.** I will hold office hours over Zoom in the Mon/Wed/Fri 9-9.50am slots during which we would ordinarily meet in person. Attendance is not required at these office hours. The idea is that you watch the recordings (whenever you like) and then come to talk to me if there is something that doesn't make sense.
- **Sections will be run similarly.** I will post supplementary questions along with videos where I go through these questions.² The scheduled sections will actually be office hours held by the TA over Zoom. Attend them if you have questions about the supplementary problems (after watching the associated videos) or about class material in general. Again, office hour attendance is not mandatory.

After the first two weeks we hopefully will return to regular instruction. Lectures and sections will be in person, and the TA and I will hold office hours separately. As long as we are only remote for those two weeks I do not anticipate changing any of the assignment or exam dates; should we be remote for longer then I reserve the right to change some of those dates, and will keep you informed.

1.2 Evaluation

- Three assignments, due on Friday January 21st, Friday February 11th and Monday March 7th. [10% each.]
- Two midterms in class on Friday January 28th and Friday February 18th. [21% each]
- Final exam on Friday March 18th (exam week) 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.]

As we proceed through the quarter I will keep you informed of your 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 possible that the score-grade correspondence will differ from the one that some of you will have seen in US high schools.

1.3 Sections

[Once things are back in person.]

Section attendance is not mandatory but will be useful. Each week I will post supplementary questions on Canvas. The TA will go through some or all of these questions in sections; I strongly recommend that you consider them beforehand. You will get a lot more from the course, and find the midterms and final much easier, if you attend sections.

¹The 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.]

²I suggest that you attempt the problems yourselves before you watch these videos. 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.

1.4 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.

1.4.1 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.

1.4.2 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. Peer 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 facilitate learning in inclusive, active environments.

Contact Krystal Wilson at krystal.wilson@northwestern.edu with any questions.

2 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, a 4th and now a 5th 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. 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.

There will be slides for each topic posted on Canvas. These will be covered in lectures. 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 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.

3 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.

[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.*

[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 hyperinflations.

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 hyperinflations.*

[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.*

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 Classroom Expectations Statement

Students, faculty, and staff must comply with University expectations regarding appropriate classroom behavior, including those outlined below and in the COVID-19 Code of Conduct.³ With respect to classroom procedures, this includes:

- *Policies regarding masking and social distancing evolve as the public health situation changes. Students are responsible for understanding and complying with current masking, testing, Symptom Tracking, and social distancing requirements.*
- *In some classes, masking and/or social distancing may be required as a result of an Americans with Disabilities Act (ADA) accommodation for the instructor or a student in the class even when not generally required on campus. In such cases, the instructor will notify the class.*
- *No food is allowed inside classrooms. Drinks are permitted, but please keep your face covering on and use a straw.*
- *Faculty may assign seats in some classes to help facilitate contact tracing in the event that a student tests positive for COVID-19. Students must sit in their assigned seats.*

[Note from RW: as I said earlier, I will take off my mask to lecture. I do not plan to assign seats.]

4.4 COVID-19 Testing Compliance Statement

To protect the health of our community, Northwestern University requires unvaccinated students who are in on-campus programs to be tested for COVID-19 twice per week.

Students who fail to comply with current or future COVID-19 testing protocols will be referred to the Office of Community standards to face disciplinary action, including escalation up to restriction from campus and suspension.

4.5 Exceptions to Class Modality

Class sessions for this course will occur in person. Individual students will not be granted permission to attend remotely except as the result of an Americans with Disabilities Act (ADA) accommodation as determined by AccessibleNU.

³<https://www.northwestern.edu/communitystandards/about-us/northwestern-university-student-expectations-covid-19-code-of-conduct.html>

4.6 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: I am not currently planning to record anything, but am including the above just in case that changes.]

4.7 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.

4.8 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 Comments, policies

- The midterm and final dates/times are not negotiable. There will be no early finals to accommodate family holidays, unfortunately-timed job interviews, internships, etc. If you have an internship that clashes with the final, ask the firm with which you're interning if you can take the final on their premises (this is usually possible).
- 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 think you were unfairly denied marks on an exam, you may request a regrade. I reserve the right to regrade the entire exam, and to deduct points as well as add them.
- Will I be grading on a curve? I'm not sure what that (very common) question means. In general, I do not have any preconceived idea of some particular grade distribution I want to see, and the letter-grade/numerical-score correspondence may differ from that you are accustomed to.
- If you don't understand something as we're going through it, that's fine. Just be sure to see me or your TA 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.