

Principles of Macroeconomics

Summer 2018

Nuts and Bolts:

Instructor: Mathew Knudson

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What to call me: Mr. Knudson is fine - I'm not a Ph.D. or professor yet.

Office Location: Calhoun 006

Office Hours: MTWRF 2pm to 3pm, or by appointment

Class Location: Buttrick Hall 204

Class Meetings: MTWRF 10:10am to 12:00pm, June 5th - July 5th

The Book: *Principles of Macroeconomics* by Case, Fair, and Oster, 12th edition, available at the book store. I will not assign problems from the book, so old editions are fine.

Other Online Stuff: I will be using Brightspace for posting materials and grades, and we will also use Top Hat for in-class questions. The join code for this course is **242673**. Both of these use your Vanderbilt Single-Sign On username and password.

About the course:

Principles of Macroeconomics serves as the overall introduction to economics at Vanderbilt University. The goal of the course is to introduce you to the economic way of thinking, to the basics of economic analysis, to the ways in which the economy is measured, and to understand at some level the reasoning (or lack thereof) behind various economic policy arguments. My goal is for you to be able to *use* economics rather than simply *know about* it. Toward this goal, I will be using the following techniques:

Active Lectures: During lecture, I will stop and let you predict the next step, fill in a missing piece of information, or pose a question about what was just done. Because I think it is really valuable for all members of the class to participate, I will call on students at random to answer questions, and answering will count toward your participation grade. You will get credit as long as you give a relevant answer in a timely fashion. I will also make use of Top Hat to ask questions- these are so I can get a measure of how well people are understanding the material, and you will get full points simply by answering in the time limit.

In Class Exercises: After I've introduced a topic and the methods that you need to know, we will spend a lot of time practicing actually doing tasks related to that topic. This can be anything from reading and reviewing an article, to hunting for data, to determining whether or not a job offer is actually a good deal. These assignments can be done with the help of your peers, and I will be there to help as well. These will also prepare you for the homework and exam questions that will go along with it, so putting in some effort on these will pay dividends later!

Group discussion: After lecture or exercises, we will come back as a group to reflect on what we did, discuss some of the challenges and interesting things we've learned, and discuss what kinds of assumptions we made under the surface to do what we did.

About Grading:

Breakdown of Points

Participation: 15%

Homework Assignments: 20%

Quizzes and Exercises: 30%

Exam I: 10%

Exam II: 10%

Exam III: 15%

To ensure that you don't have an incentive to give up on the class after some bad grades, I have the following policies:

Grade Replacement: If you do better on the 2nd exam than the first, then I replace your first grade with the second. If you do better on the 3rd than the 2nd exam, then I replace your second grade with the 3rd exam.

Do-Overs: A big part of learning is trying something, messing up, and learning from the experience. You may redo any quiz, homework, or exercise **in my office hours**, and I will replace your score with the redo. The only limitation I place is that you need to do this within 1 week of when I handed back the item in question, and **under no circumstances can a redo be submitted after the final exam.**

About the math:

There is no math requirement for this course, and I make no assumption about your math skills. Calculators are allowed whenever applicable. I will teach you any of the math we will need for this course, and provide resources for you to practice. You are welcome to come to office hours as much as needed to work on those skills. The point of the math is that it makes things extremely precise and explicit, and honestly, will make your life easier than in courses where all of the exposition is verbal and graphical, and leave you better prepared to use the material we cover.

Technology in the Classroom

Learning how to use technology responsibly is part of your education, and I think there are a lot of valuable electronic tools we can use to learn economics. So, we will be using laptops in class, and I expect you to bring yours most days. If you do not have a laptop to bring, you can borrow one for free from the central library. For details, see <http://www.library.vanderbilt.edu/technology>

Tentative Course Outline

Section 1: Economic Foundations and Exchange

Chapters 1 - 4

What is the economic way of thinking? What are the primary tools of economic analysis? What are the foundational assumptions and observations? What are the mathematical tools used to model and understand various phenomena, and why do we use them? What's the point of a model, anyway? How can we use these tools to make better decisions in our own lives?

Chapter 18

How can we use the tools and concepts from chapters 1-4 to understand international trade? What kinds of arguments about trade are made by politicians and pundits, and why do economists disagree with them? What assumptions drive common arguments by economists, and why may they be invalid?

Section 2: Measurement and Growth

Chapters 5- 7

What are the main variables of interest when we talk about "the economy," and how do we measure them? How are these measures constructed, and what are their flaws? How can we use these measures to make educated decisions about job offers, negotiation of wage increases, moving to a new town, and more? How can differing measures of key variables paint a vastly different perspective of the health of the economy?

Chapter 16

Now that we can measure the production of the economy, what factors determine the level of production we can have? How do economists think the economy grows in the long term, and how might that conflict with policies or actions that are attractive in the short run? How does growth relate to inequality? How much better off are we than Americans living 50, 80, or 100 years ago?

Section 3: Business Cycles and Stabilization

Chapter 8

What general trends does the economy exhibit over time? Why does the economy fluctuate the way that it does? What is the simplest model in which we can understand short run production in an economy?

Chapter 9

What tools does the government have to influence short run output? Why does it choose some tools over others? What are obstacles to ideal fiscal policy? What is the general composition of the federal budget, and how might that influence people's views of what should be changed about government?

Chapter 10

What is money, and why do we use it? How is the level of money in the economy determined? Who is in charge of the money supply, and what tools do they have to control the money supply? How is that agency accountable, and what are the arguments for and against their level of independence? What are interest rates, and how do they come about? Why do interest rates matter for the macroeconomy?

Chapter 11 and 12

How is the equilibrium level of output, prices, and interest set in a more realistic model? What are the effects of monetary and fiscal policies in the short run? Why are policy makers cautious about taking action to remedy small shortfalls in output? What assumptions underly this extremely common method of macroeconomic analysis, and what would happen if they failed to hold?

Chapter 13

One of the most common indicators of economic health, and one very important to average people, is the level of unemployment. What is unemployment? Why is there always bound to be at least some level of unemployment, even when the economy is doing well? What are common fallacies about unemployment that cloud public discussion? What causes increases and decreases in unemployment in the short run and long run? What are some alternative measures of employment that may tell a different story? Finally, how can the government and the Fed take action to fight unemployment?