

Econ 102-Principles of Macroeconomics

Prof. Ed Cho

Outline:Unit I, Section INT 1

- I. Syllabus & Course Expectations
- II. Overview of Topics

I. Syllabus

Course Description

1. Micro versus Macro
2. Topics: GDP, unemployment, inflation, recessions, exchange rates, etc...
3. Fiscal policy and Monetary policy

⇒ Real-World Relevance

Class Format

- Lecture: Tue & Thur 2:30 - 4 PM, Mandatory
 - Lorch Hall 140
- Discussion Section: Thur/Fri, Mandatory
 - Smaller class sizes, conceptual questions, worksheets

Course Requirements

- Prereqs: Econ 101 (strongly advised)
- NO calculus required
- “Principles of Macroeconomics,” Mankiw, 7th ed. [6th ed. allowed, page mapping provided]
- Outside article readings
- i>clickers: Michigan Union, Computer Showcase (clicker devices, NOT web-clicker subscription)
- Canvas website “Econ 102 100 WN 2017”

Grading

- Midterm exams (90%)
 - Must be present for all three exams
 - Midterm 1: February 8, Wednesday, 6 PM-8 PM
 - Midterm 2: March 15, Wednesday, 6 PM-8 PM
 - Midterm 3: April 13, Thursday, 6 PM-8 PM
- Problem sets (5%)
 - Graded on effort: 0 (0 pts), ✓ (1 pts)
 - Lowest problem set score dropped
- i>clicker Attendance (5%)
 - Greater than 70% attendance receives full credit
 - Begins on January 17, Tuesday

Course Policies

- Carefully read the syllabus
 - Notify your GSI *in advance* of conflicts
 - Provide *documentation* for conflicts
- No makeups or extensions on problem sets
 - Lowest problem set score dropped
- No makeups or extensions on midterms, except for excusable conflicts
- Missed classes: Student's responsibility to makeup the material and obtain notes

Lecture Expectations

- Do readings *before* class ([see syllabus](#))
- Respect your fellow classmates:
 - Silence phones and laptops
 - Refrain from web surfing, texting, talking, etc...
 - If you plan to leave early for an excused reason, then please sit near the door
- First 5 rows of Lorch reserved for students who take handwritten notes

Approximate Schedule

I. Introduction (INT)

Thurs, Jan 05	INT1	Introduction to Macroeconomics
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Jan 05/06	-	No Discussion Section
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Tues, Jan 10	INT2	Gross Domestic Product <i>Mankiw, chapter 10</i> <i>"A Happiness Index with a Long Reach," NYT, 05-20-00</i> <i>"Economy Shows Glimmers, Strains," WSJ 08-28-15</i> <i>Optional. "Happiness Gauges Show Money Isn't Everything"</i>
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Thurs, Jan 12	INT3	Measuring the Cost of Living <i>Mankiw, chapter 11</i> <i>"US Productivity Missing or in Hiding," WSJ, 07-17-15</i>
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Jan 12/13	-	Discussion Section
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Approximate Schedule

Wed, Feb 08 - Midterm 1: 6 PM-8PM

Thurs, Feb 09 - No Class (Lecture), for Midterm

Feb 09/10 - No Class (Discussion Section), for Midterm

Tues, Feb 14 MP2 Monetary System 2

Mankiw, chapter 16 pp. 330 - 341 [6th ed: 332-344]

"China Cut, Powers Markets," WSJ, 10-24-15

HH: Money Multiplier

Section Office Hours

- Office hours: Come prepared with questions
 - “Pooled” OH. Accessible to all students.
 - => See Canvas website front page
 - “Exclusive” OH. Exclusive to your discussion section.
 - => See Canvas website front page

Governance

- GSI
 - Conceptual questions, problem set questions, individual issues, etc.
- Head GSI
 - Kimberly Conlon, conlonkm@umich.edu
 - Administrative, conflicts, special accommodations
 - See course syllabus first
- Prof. Cho
 - Conceptual questions, current events, problem set questions, etc.

Teaching Style

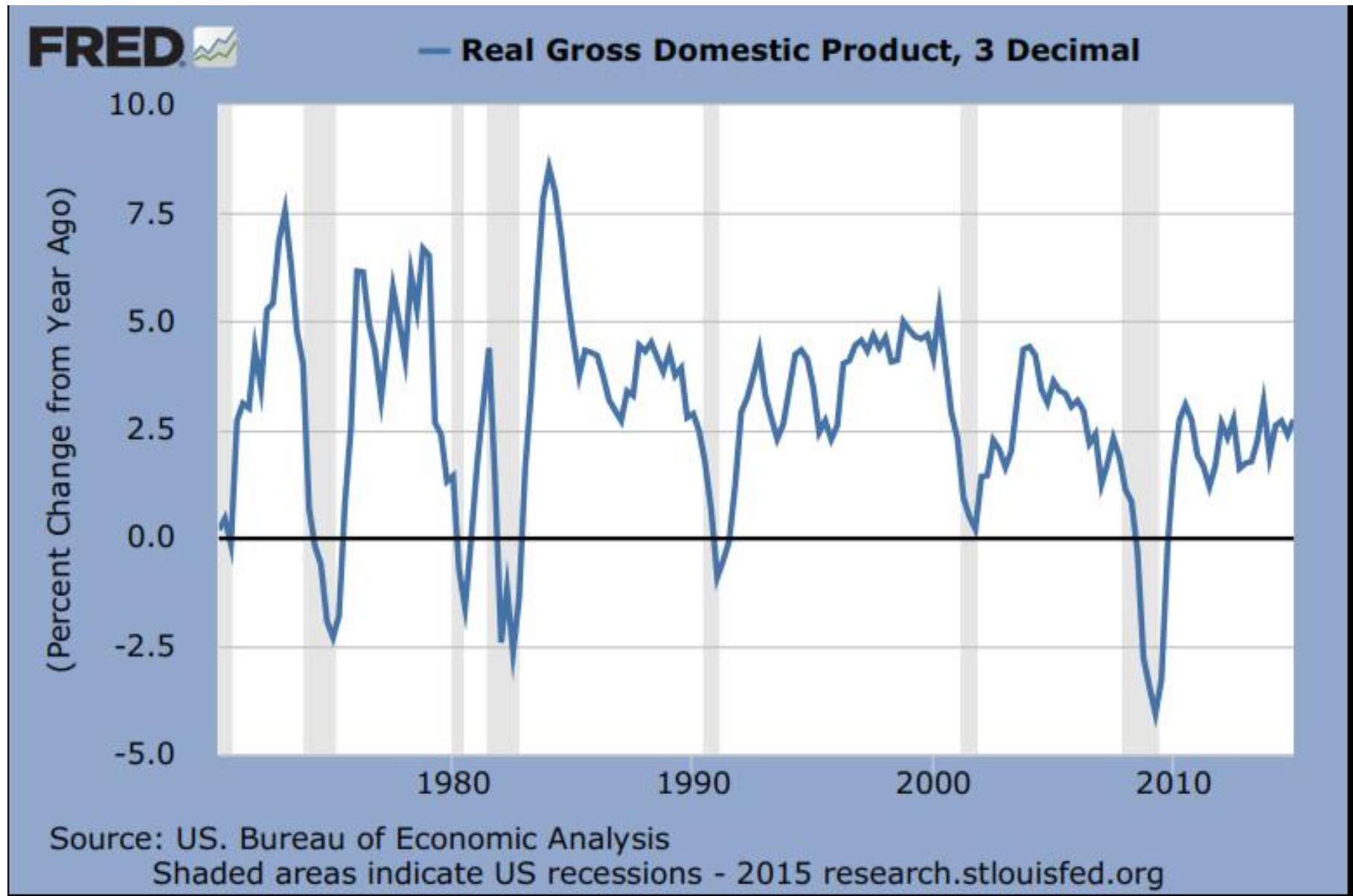
- Graphs drawn by hand in class
- Interactive
 - Clickers
 - Current events
- Ask and answer questions

II. Overview of Topics

- Booms and recessions
 - The modern world regards business cycles much as the ancient Egyptians regarded the overflowing of the Nile. The phenomenon recurs at intervals, is of great importance to everyone, and natural causes of it are not in sight.

John Bates Clark, 1898

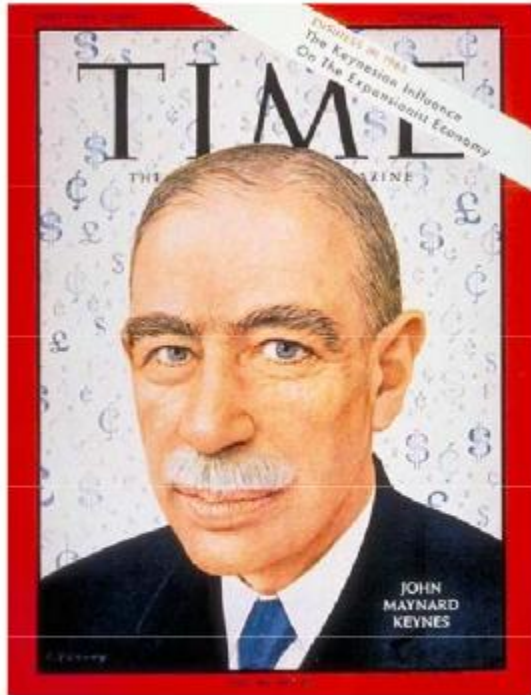
Real GDP: Percent change from year ago



The Great Depression

	Unemployment rate	Real GDP	DJIA
1929	3.2%	203.6	380 (Aug)
1933	25.2%	141.5	51 (Feb)
% Change (%Δ)	+22%	-31%	-87%

Tools of Macro Policy



John Maynard Keynes

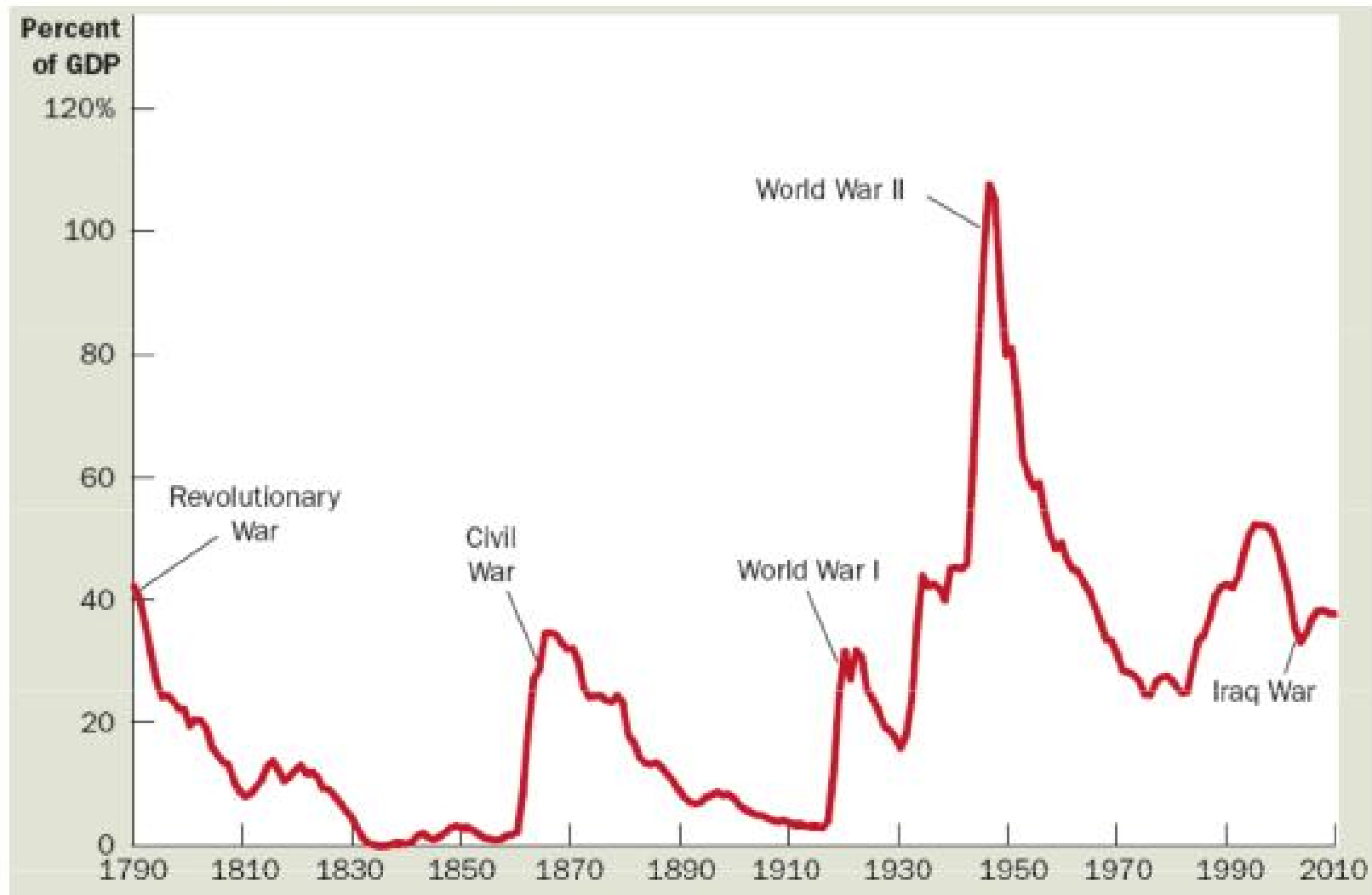
1. Fiscal Policy
 - Spending/Expenditures
 - Taxes
2. Monetary Policy[Federal Reserve]
 - Interest rates
3. Financial Reforms [Dodd-Frank Bill]
 - Econ 396
 - Econ 485

Growth Around the World: Real GDP per Person

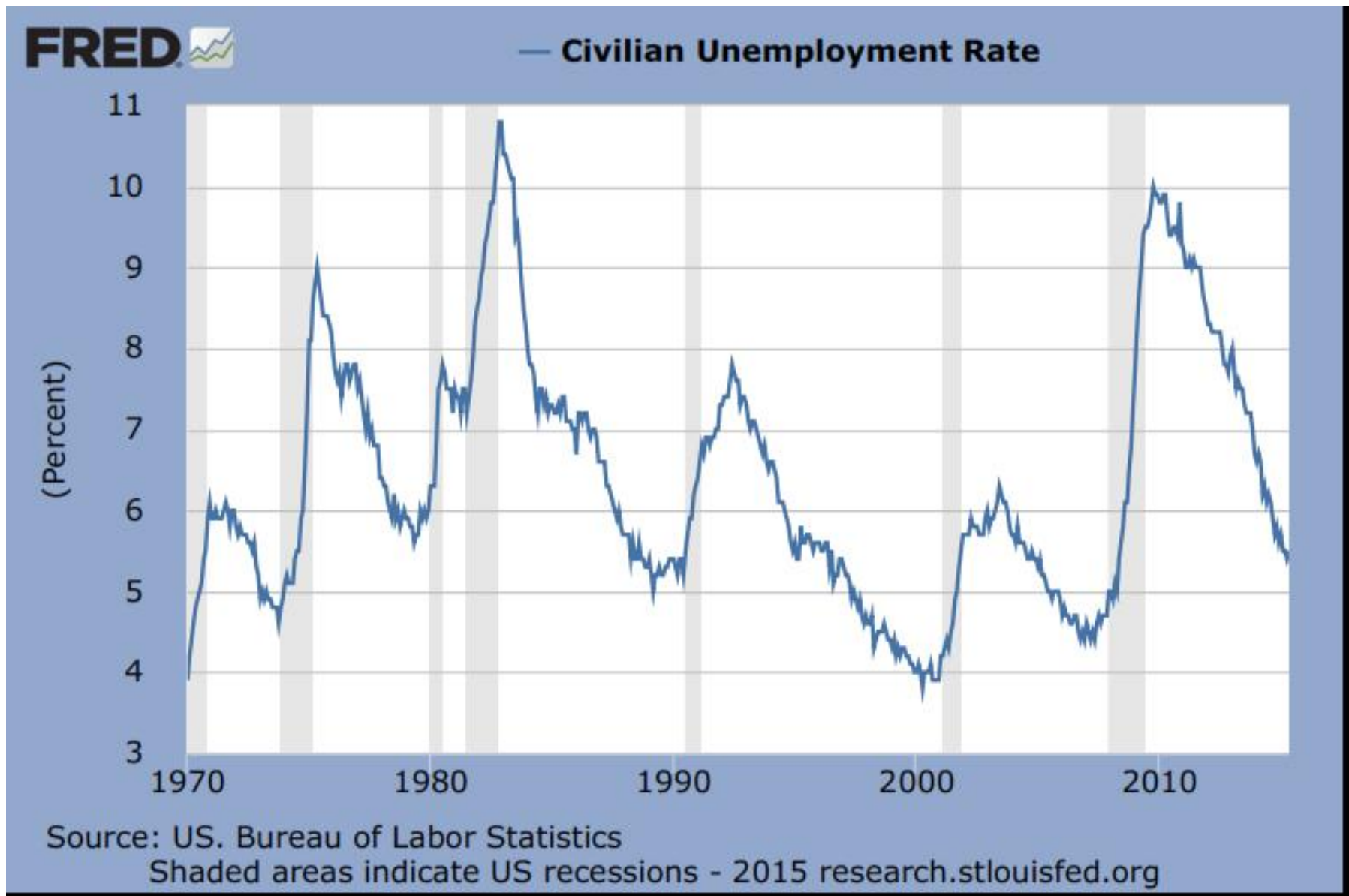
	Starting Level	Current Level	Growth Rate
Japan (1890-2003)	\$1,280	\$28,620	2.79%
China (1900-2003)	\$610	\$4,990	2.06%
US (1870-2003)	\$3,412	\$37,500	1.82%
India (1900-2003)	\$575	\$2,880	1.58%
UK (1870-2003)	\$4,094	\$27,650	1.45%
Pakistan (1900-2003)	\$628	\$2,060	1.16%

2003 US\$

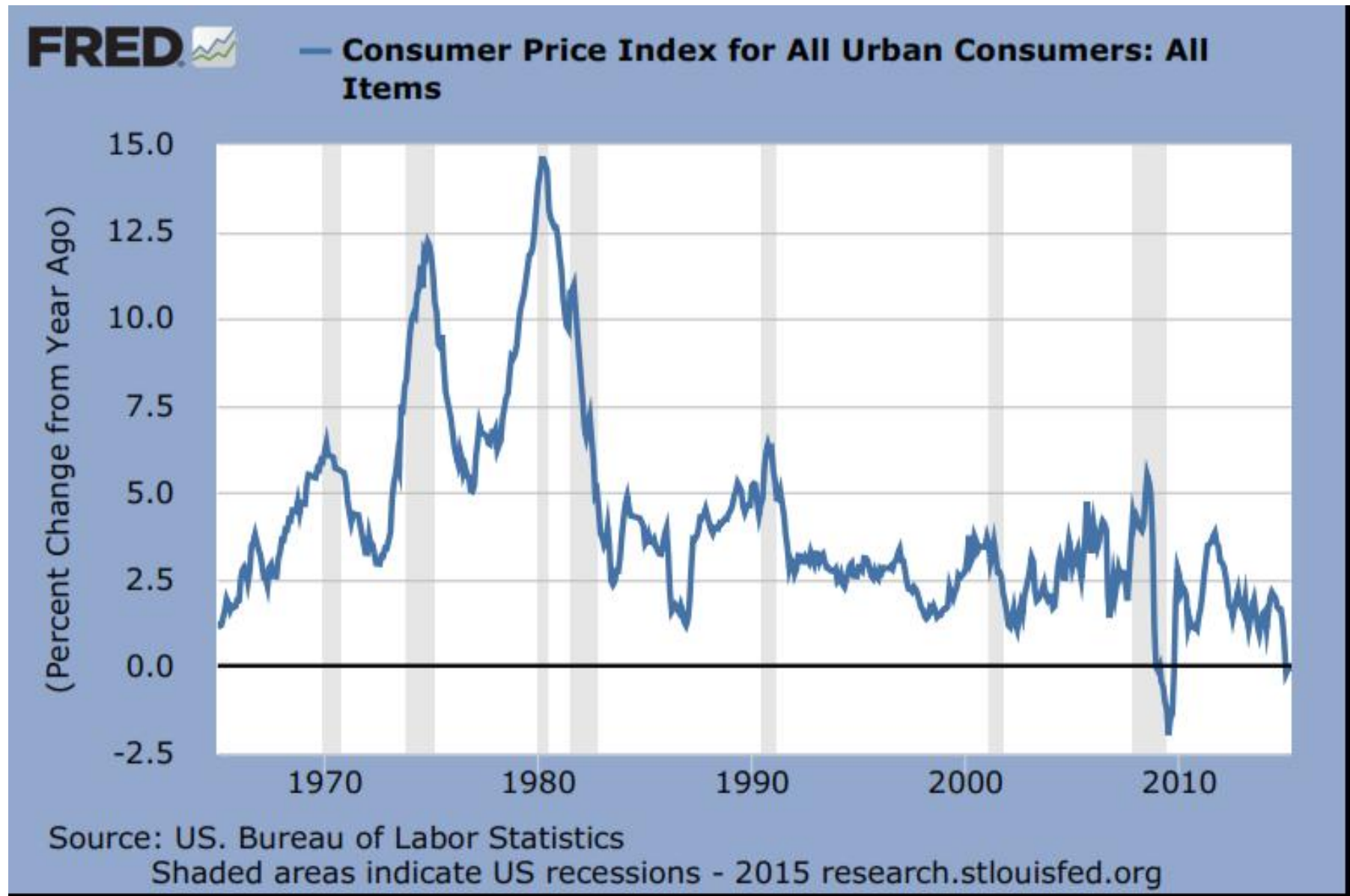
U.S. Government Debt as a Percentage of GDP



US unemployment rate



CPI: Consumer Price Index



Price of a Newspaper in 1920s Germany: Example of Hyperinflation

Date	German marks
• January 1921	• 0.30
• October 1922	• 8
• September 1923	• 1,000
• October 15, 1923	• 20,000
• November 9, 1923	• 15,000,000
• November 17, 1923	• 70,000,000
• Then prices abruptly stabilized.	