

# INTERMEDIATE MACROECONOMICS

## INTRODUCTION

University of  
Massachusetts  
Amherst



# What to expect from this course

- We want to understand the working of the economy as a *whole*.
- Focus on some key *aggregate* variables:
  - Output
  - Employment
  - Wages
  - Interest Rates
  - Inflation
- We will initially abstract from international trade, and then bring it in.
- A toolbox to think about the economy in a organized way.

# Laptop Ban

The use of laptops, tablets, smartphones and similar devices is banned in this class

*Research shows that the use of laptops in class harms learning and reduces students' grades.*

SCIENTIFIC AMERICAN

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## A Learning Secret: Don't Take Notes with a Laptop

Students who used longhand remembered more and had a deeper understanding of the material

THE NEW YORKER

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ANNALS OF TECHNOLOGY

## THE CASE FOR BANNING LAPTOPS IN THE CLASSROOM

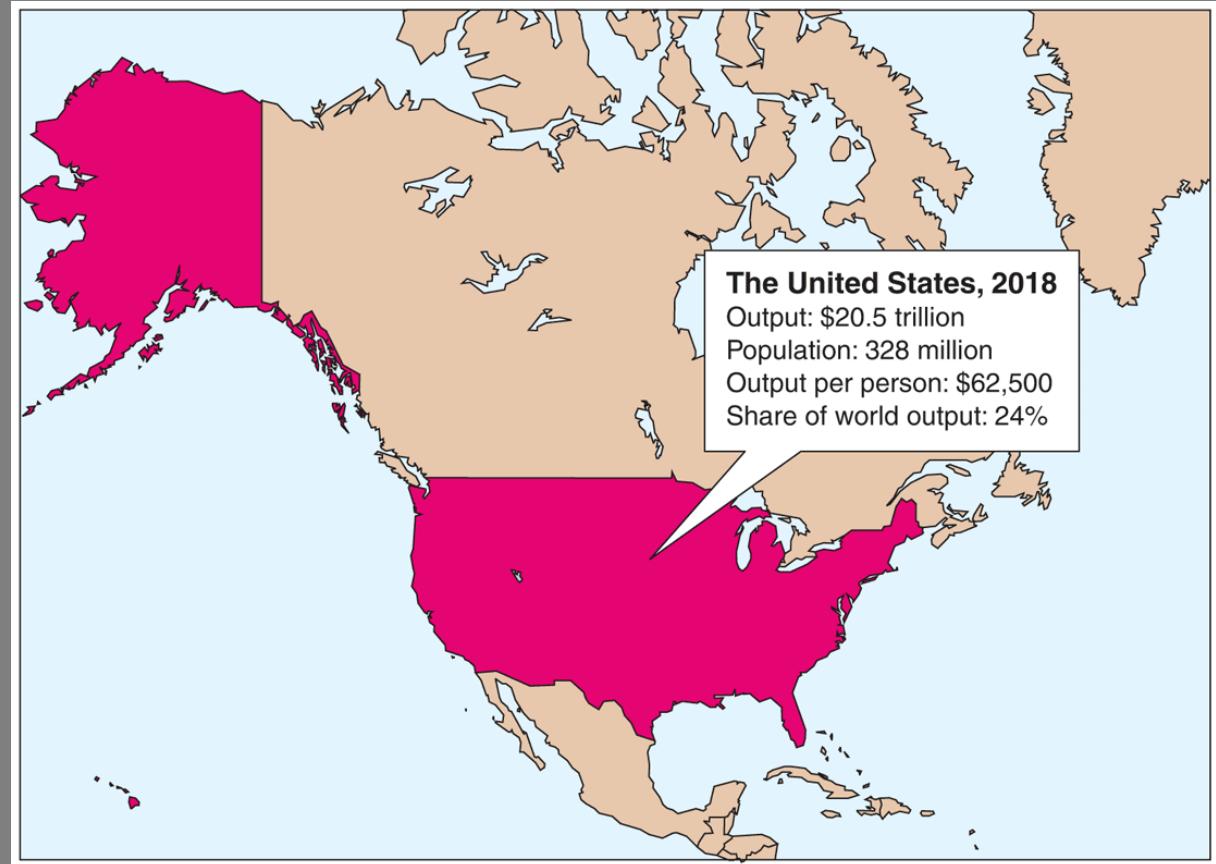
By Dan Rockmore June 6, 2014

The New York Times

ECONOMIC VIEW

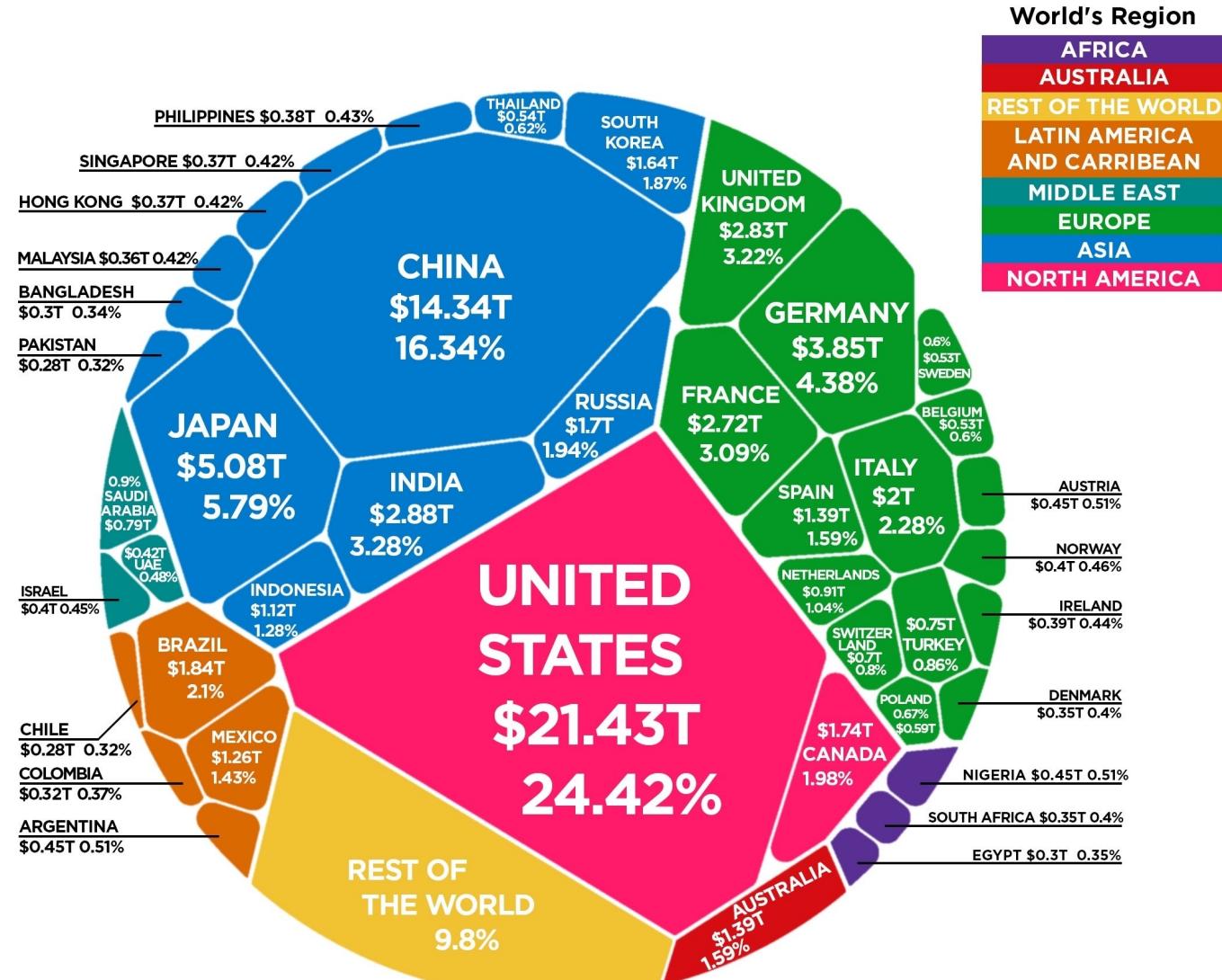
## Laptops Are Great. But Not During a Lecture or a Meeting.

# A BRIEF TOUR OF THE US ECONOMY



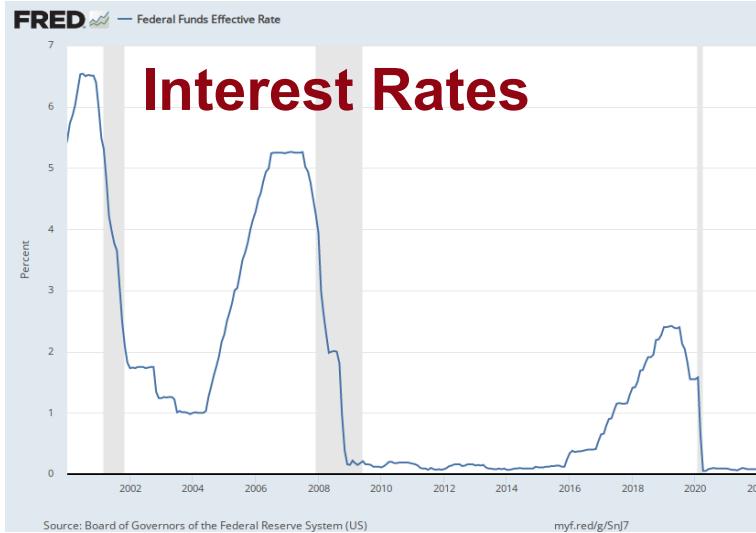
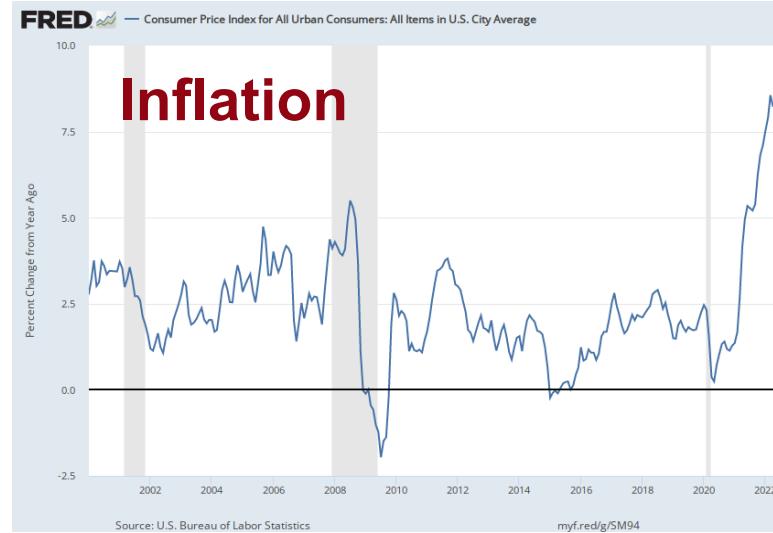
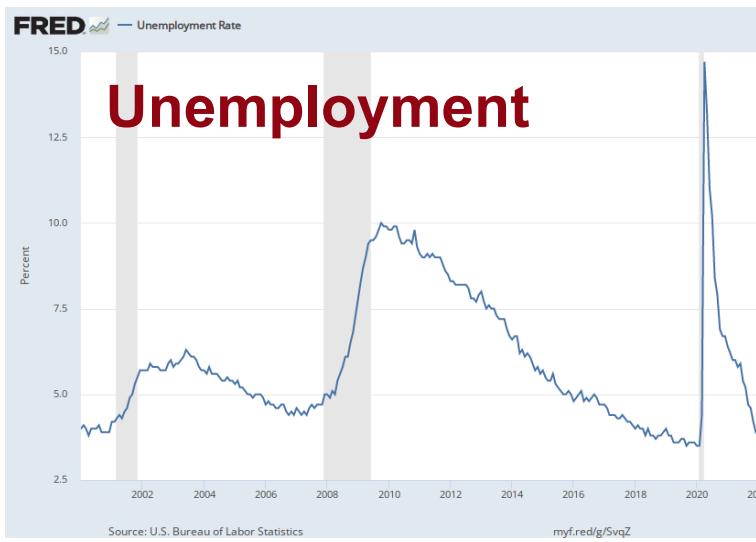
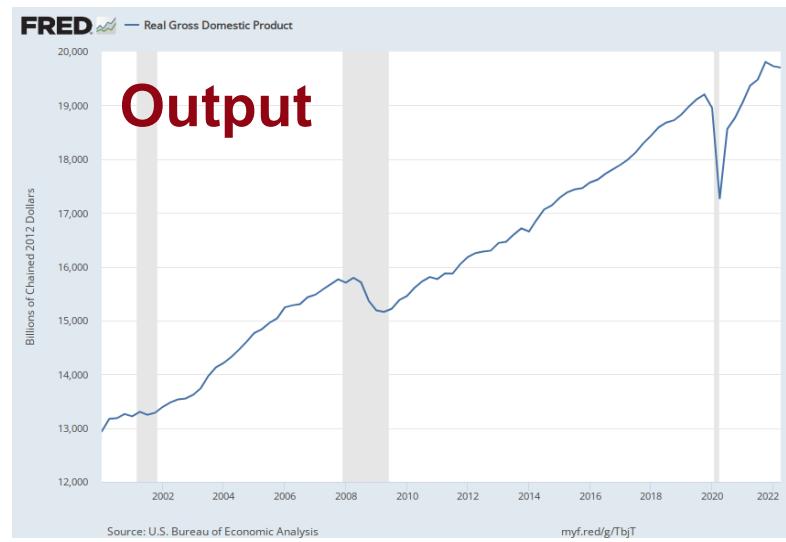
# The US economy: Big, rich and unequal

Gross Domestic Product (GDP) by Country 2019



- ~4% of world population
- ~24% of world production
- GDP per capita is one of the highest...
- ...but more inequality than in other rich countries.

# The US economy in the 21<sup>st</sup> century



**2000-2007:** steady growth but increasing inequality and stagnant wages for most people.

**2008-2009:** Financial Crisis & Great Recession.

**2008-2014:** Slow recovery.

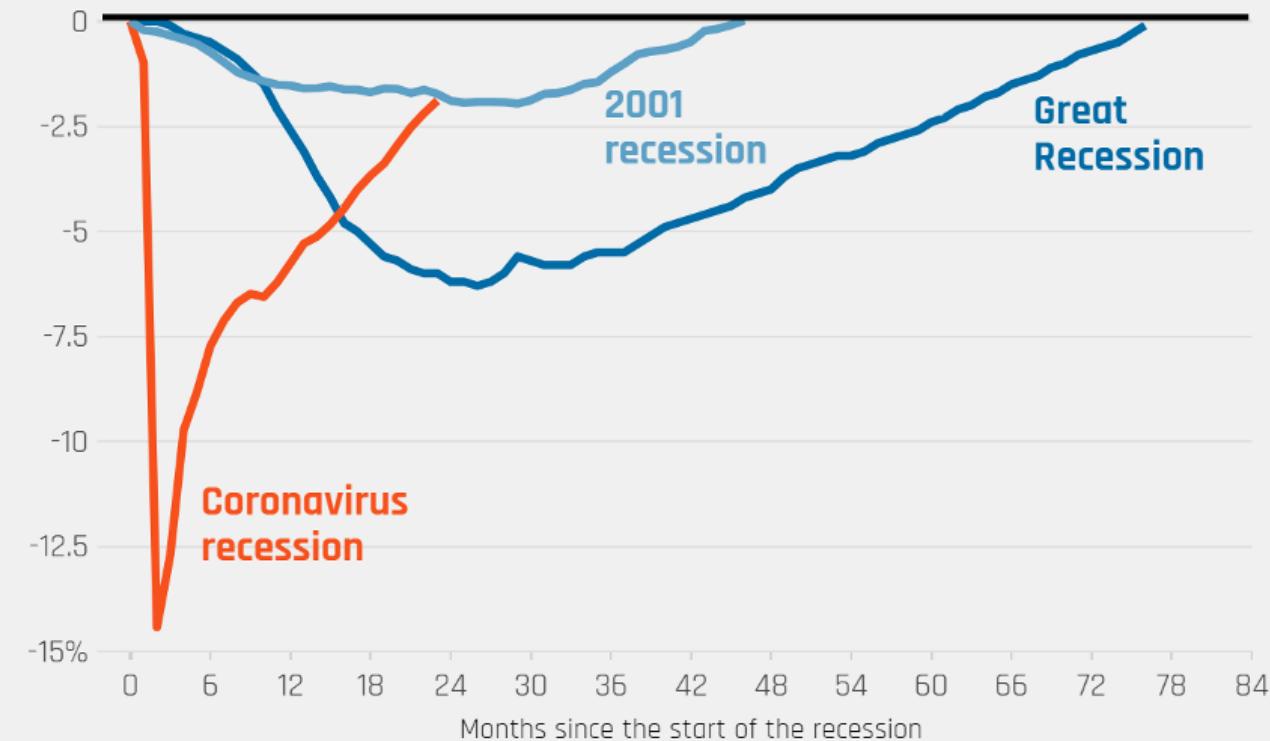
**2015-2019:** Low unemployment.

**2020:** The COVID-19 shock.

**2021-2022:** Quick recovery and the return of inflation.

# The Covid-19 shock and the US economy

Percent loss in employment since the start of the recession



Source: U.S. Bureau of Labor Statistics [n.d.], retrieved from Federal Reserve Bank of Saint Louis, "All Employees, Total Nonfarm," available at <https://fred.stlouisfed.org/series/PAYEMS>.

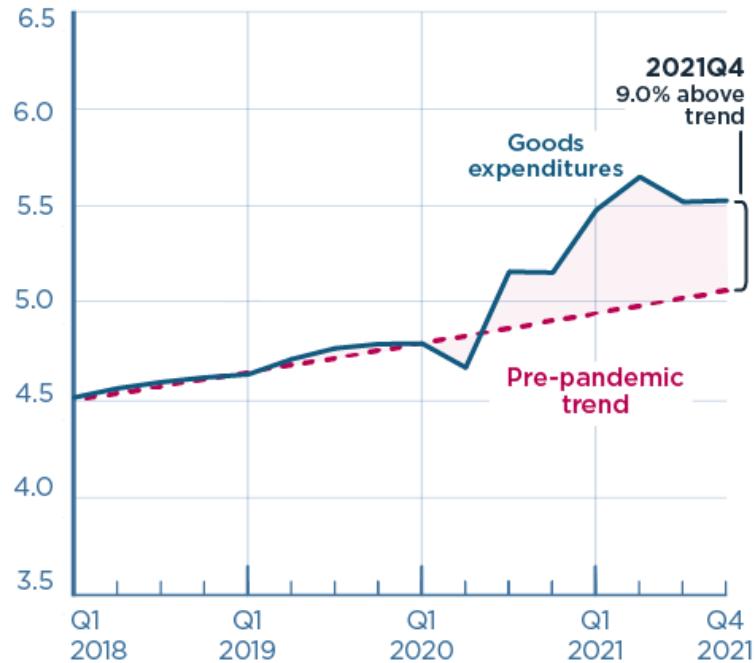


- A public health crisis but also an economic crisis.
- The Covid recession was *incredibly* severe.
  - 20 million jobs lost between Feb and Apr 2020.
  - Worst recession in 70 years.
- But a quick and strong rebound followed.

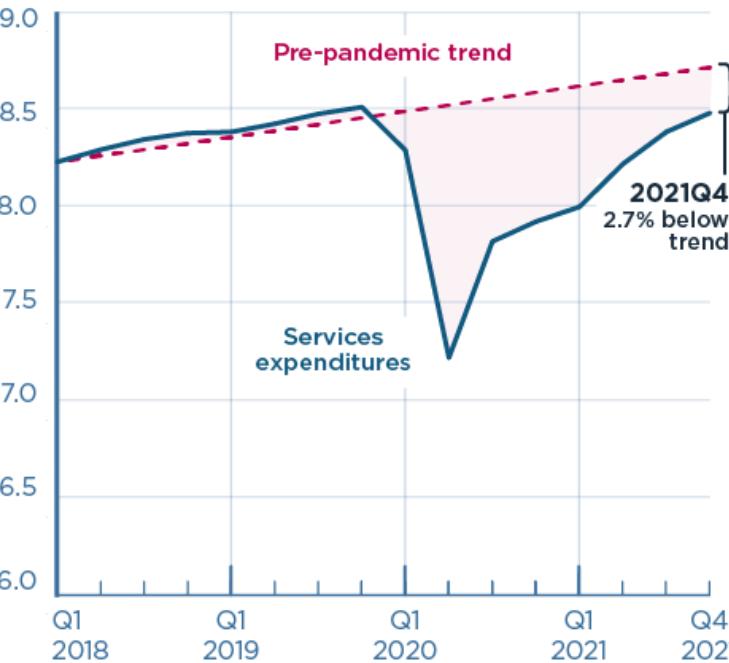
# Consumer spending: Goods vs. Services

Real personal consumption expenditures by type, trillions of dollars

a. Goods



b. Services



- A huge shift in consumer spending: away from services and towards goods.
- Spending on goods quickly snapped back & then boomed.
  - Cars, furniture, ...
- But services recovered slowly and incompletely.
  - Restaurants, hotels, transportation, ...



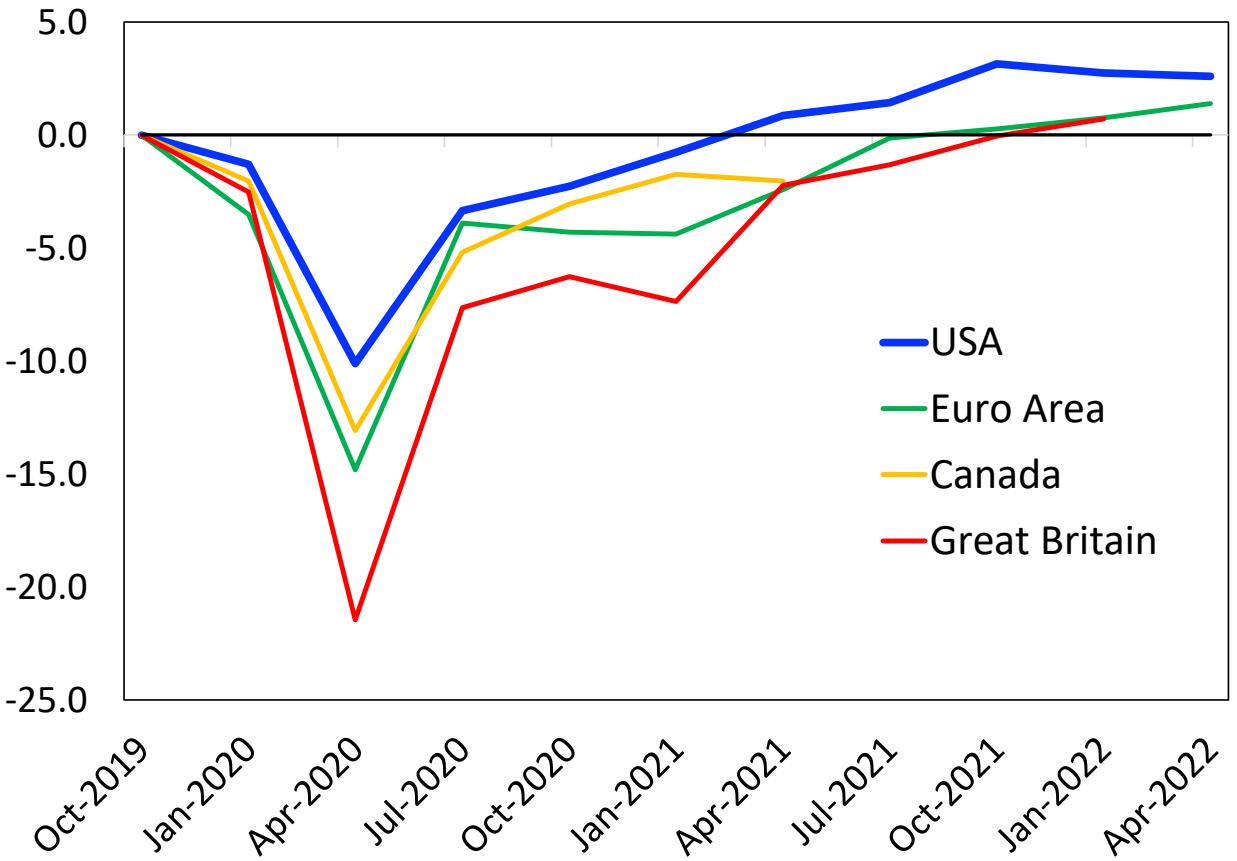
**Note:** Data refer to chained 2012 dollars. Pre-pandemic trend based on log-linear regression for 2018Q1 to 2019Q4. Adjusted based on ratio of Congressional Budget Office's January 2020 estimate of potential real GDP to pre-pandemic trend for real GDP.

**Sources:** Bureau of Economic Analysis via Macrobond, Congressional Budget Office, and authors' calculations.

**Although hard hit,  
the US did better  
than other rich  
economies so far.**

**Why?**

Percent change in output since Covid hit



# How did the US government respond to the Covid recession?

- Quick, massive, unprecedented support to the economy.
- The two biggest measures:
  1. [CARES Act](#) (March 2020): \$2.2 trillions
    - Cash payments to individuals
    - Extended unemployment insurance benefits
    - Paycheck Protection Program: forgivable loans to firms.
  2. [American Rescue Plan](#) (March 2021): \$1.9 trillions
    - Extension of some main measures of CARES.
    - Child allowance for families.
    - Investment in education and health.



# 2021-2022: The return of inflation and the slowdown

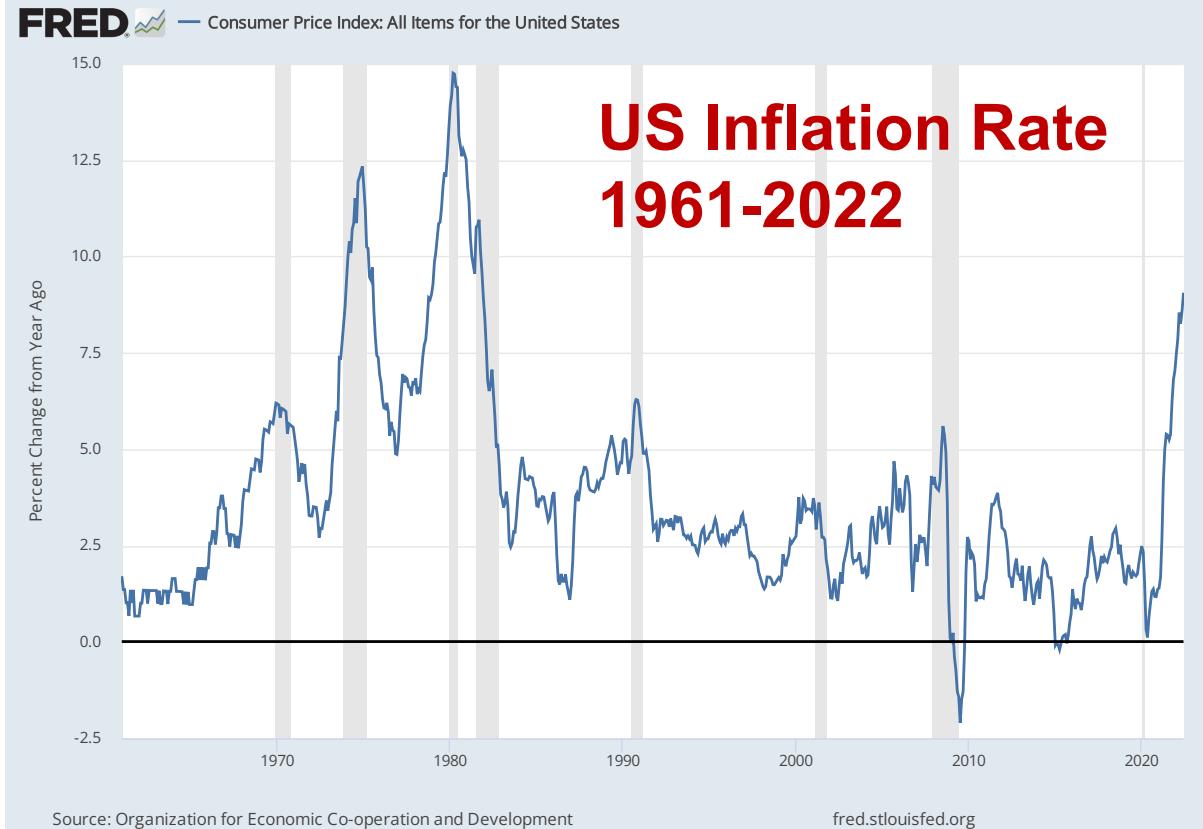
- And now?
- Two concerning trends since 2<sup>nd</sup> half of 2021:
  - a spike in inflation.
  - a downturn in (some indicators of) economic activity.
- What are the possible reasons? What is next?



# The return of inflation

Possible causes (?):

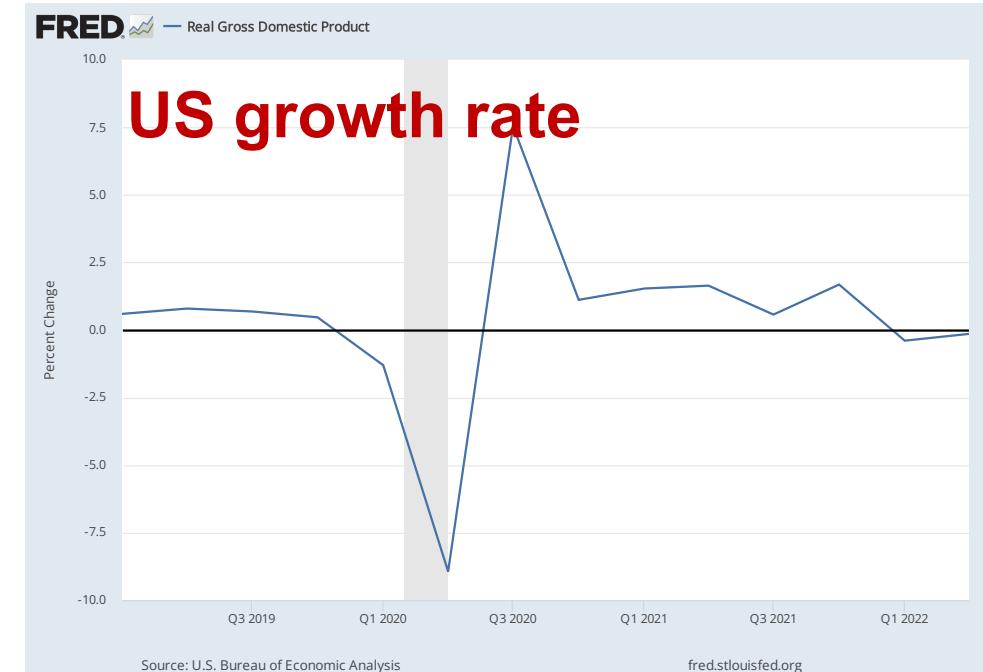
- Supply disruptions due to Covid.
- Too high demand for goods.
- The big 2020-2021 government stimulus.
- War in Ukraine and its effect on energy prices.



# The downturn in economic activity

Possible causes (?):

- Fed rising interest rates to fight inflation.
- Winding down of the 2020-2021 stimulus.
- War in Ukraine and its effect on energy prices.
- BUT the economy has kept adding jobs, unlike in the typical downturn!



# ABOUT THIS COURSE: IMPORTANT PRACTICALITIES

The screenshot shows a Moodle course page. At the top, it displays the course name: "ECON204-SEC01 Intermed Macroeconomic Theory Fall 2022". Below this, a breadcrumb navigation shows "Moodle home > My courses > ECON204-SEC01 FA22". The main content area is titled "General" and contains the course title "Intermediate Macroeconomics (Econ 204)". Below the title, it lists the "Instructor: Daniele Girardi (dgirardi@umass.edu)" and the "Lectures: Tu-Th 11:30AM - 12:20PM in Thompson Hall Room 104". On the right side, there are sections for "UMass Course Surveys" (which states "There are no course surveys currently available for any of the classes you are taking."), "Page 1", "Activities", and "Assignments". A vertical sidebar on the left has a "5\_F" label.

ECON204-SEC01 Intermed Macroeconomic Theory Fall 2022

Moodle home > My courses > ECON204-SEC01 FA22

General

**Intermediate Macroeconomics (Econ 204)**

Instructor: Daniele Girardi (dgirardi@umass.edu)

Lectures: Tu-Th 11:30AM - 12:20PM in Thompson Hall Room 104

UMass Course Surveys

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Page 1

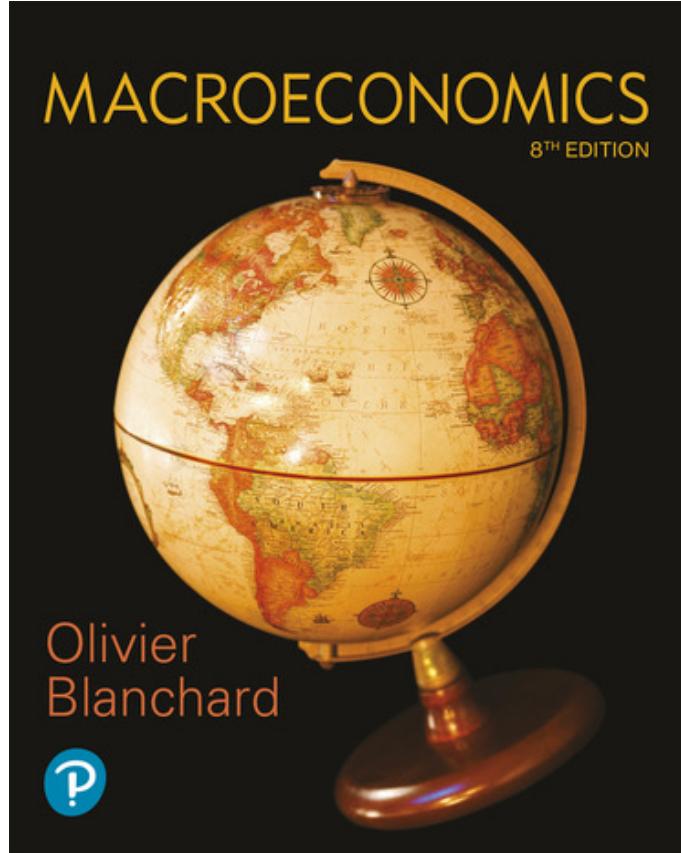
Activities

Assignments

5\_F

Intermediate Macroeconomics (ECON 204) – Fall 2022  
Instructor: Daniele Girardi

# Textbook



Macroeconomics  
by Olivier Blanchard  
8<sup>th</sup> Edition

I will assign a chapter  
(approximately) every week,  
due the night before class.

# The Plan

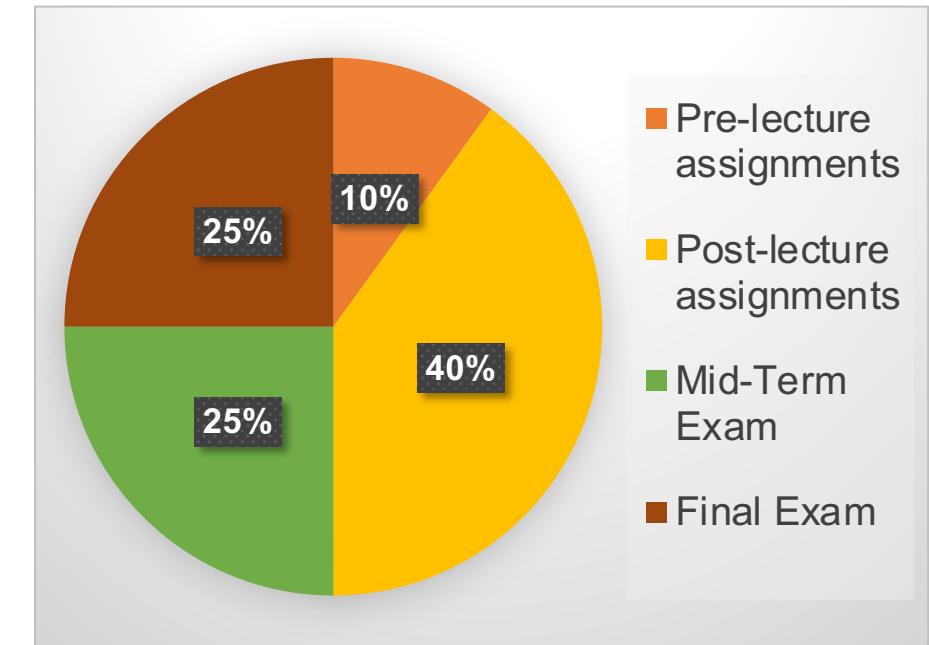
1. Introduction & definitions  
[Sep 6- Sep 13]
2. The IS-LM model  
[Sep 15-Oct 6]
3. The labor market, inflation and the Phillips Curve  
[Oct 11-Nov 3]
4. The Open Economy  
[Nov 8-Dec 6]



Make sure you participate in discussion sections!

# Requirements and grading

- **10 pre-lecture assignments** [weight: 10%]
- **5 post-lecture assignments** [weight: 40%]
- **Mid-term exam in class** [weight: 25%]
- **Final exam** [weight: 25%]



# i>clickers

- Next week we will start using i>clickers.
- If you don't have one, you can buy it online (used it's fine).
- Make sure it's registered on Moodle.
- You can get extra-credits (up to 5%) by participating to i>clicker questions in class.



# QUESTIONS & ANSWERS

University of  
Massachusetts  
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