

# EC313: Intermediate Macroeconomics

## Syllabus and Chapter 1

Xiang LI

July 22, 2019

# Welcome to Intermediate Macroeconomics

1. Syllabus
2. Chapter 1

# Syllabus

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# Syllabus

- Syllabus and Tentative schedule have been posted on Canvas
  - classroom: MCK 125
  - class hours: M/T/W/R 10:00-11:50am, July 22 - Aug 15
- About me:
  - Xiang (sh ee ah ng), LI
  - a third-year Ph.D student in Economics
  - Research interest: empirical time series macroeconomics
  - Email: xli4@uoregon.edu
  - Office: PLC 407
  - Office hour: W/T/W/R 12:00-1:00pm
  - You are always welcome to ask questions via email or during office hours :)

# Syllabus

- Prerequisites: Introductory Macroeconomics (EC 202)
- Textbook: Macroeconomics, by Olivier Blanchard
- Tentative To be covered:
  - Chapter 1-2: Introduction
  - Chapter 3-6: The short run
  - Chapter 7-9: The medium run
  - Chapter 22-23: Policies

# Syllabus: Evaluations

- Participation: 5%
- In-class group work: 10%
- Quizzes (July 25, Aug 8): 10%
- Midterm (Aug 1): 35%
- Final (Aug 15): 40%

# Syllabus: Evaluations

## Participation

- I'm a big fan of asking my instructors questions!
  - you can ask questions or answer questions that I ask during lectures.
  - if you are shy or simply don't like talking in front of large audiences, you have an option of coming to my office hour with questions or comments on the material.
- Each time you participate, you earn 2.5% of your grade, which amounts to 5% total.

# Syllabus: Evaluations

## In-class Group work

- Group learning is fun and efficient!
- Although you can work independently, but you are highly encouraged to discuss with your peers, contribute your thoughts and complete the work as a group.
- A group should consist of no more than three members.
- Every member of the group is expected to submit their own paperwork
- Each paperwork you submit earns 1% of your grade, which amounts to 10% total.



# Syllabus: Evaluations

## Quizzes

- the first Thursday (July 25) and the third Thursday (Aug 8)
- They will be administered during 15 minutes of lecture.
- No make-up in-class quizzes will be given for any reason.

# Syllabus: Evaluations

## Midterm and Final

- The midterm will be given on the second Thursday (Aug 1), and the final will be given on the last Thursday (Aug 15).
- The midterm exam will tentatively test the materials that we will cover in chapter 1, 2, 3, 4, 5, 6.
- The final exam will be more heavily weighted toward the materials that we will cover in chapter 7, 8, 9, 22, 23.
- All quizzes and exams are closed notes.
- No cheat sheet is allowed, but formula sheets will be provided.
- There will be assigned seating.

# Syllabus

# Syllabus



- Please ask!
- Please let me know anytime if you want me to repeat or clarify :)

# Chapter 1

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# The Crisis

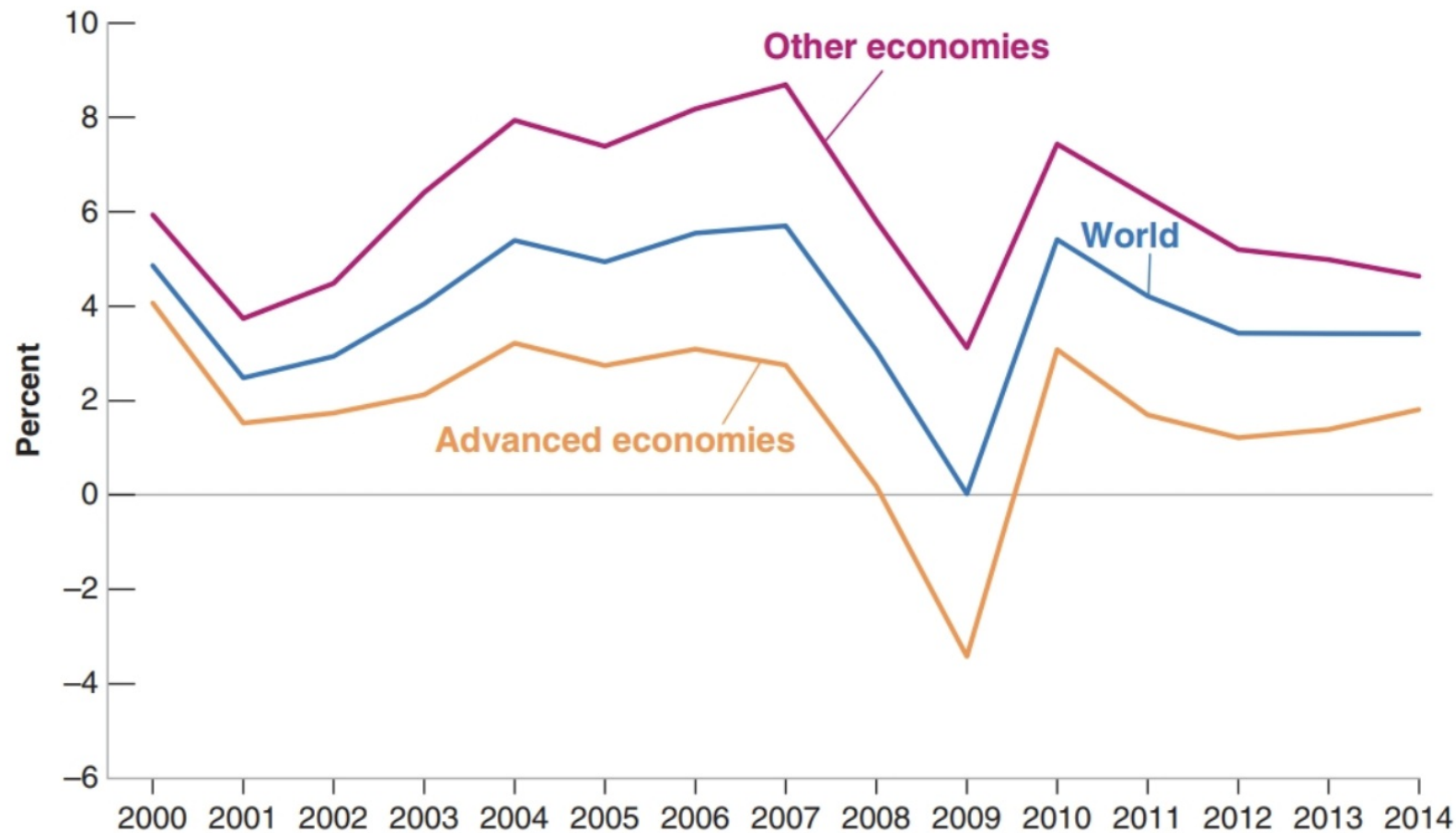
- from 2000 to 2007 the world economy had a sustained expansion

**Figure 1-1**

**Output Growth Rates for the World Economy, for Advanced Economies, and for Emerging and Developing Economies, 2000–2014**

Source: World Economic Outlook Database, July 2015. NGDP\_RPCH.A.

MyEconLab Real-time data



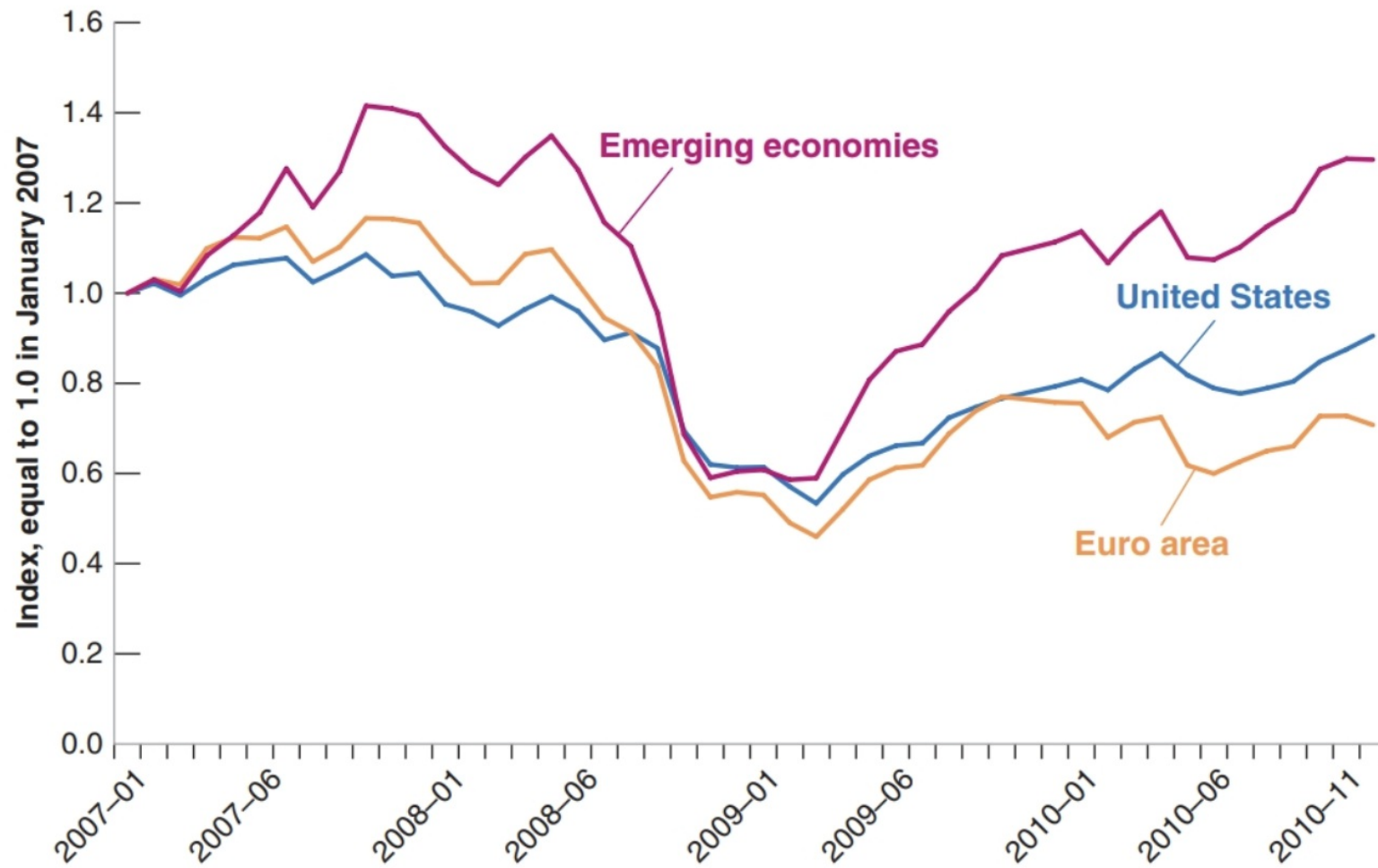
# The Crisis

- housing prices declined

[https://www.youtube.com/watch?v=MesrrYyuoa4&fbclid=IwAR1UWNXay-CIKNJ4j\\_5ZiPfrkBqAvWYPQ5ck0HnsQsa2YueM0yyMk2OKZjY](https://www.youtube.com/watch?v=MesrrYyuoa4&fbclid=IwAR1UWNXay-CIKNJ4j_5ZiPfrkBqAvWYPQ5ck0HnsQsa2YueM0yyMk2OKZjY)

# The Crisis

- stock prices collapsed



**Figure 1-2**

***Stock Prices in the United States, the Euro Area, and Emerging Economies, 2007–2010***

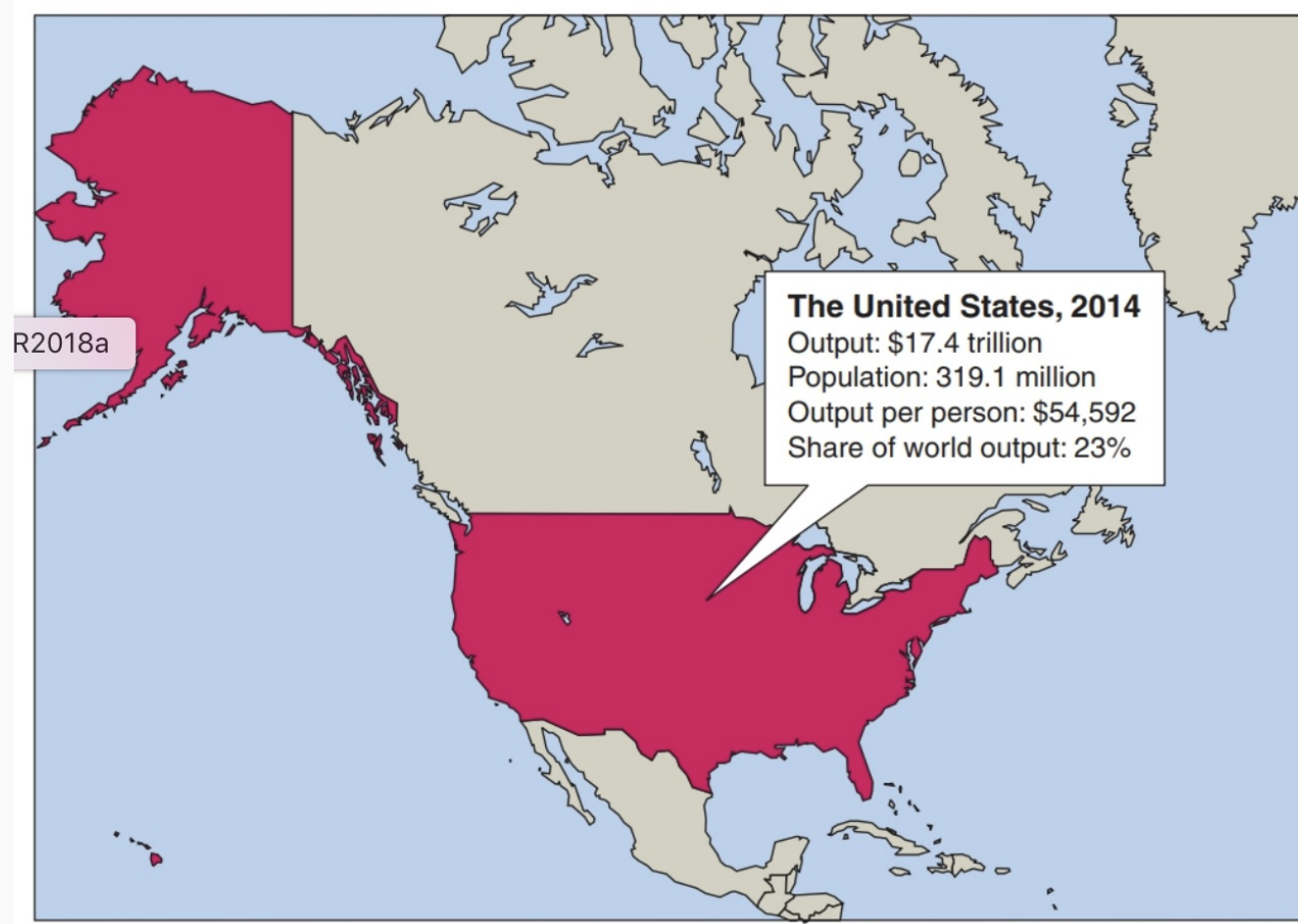
Source: Haver Analytics USA (S111ACD), Eurogroup (S023ACD), all emerging markets (S200ACD), all monthly averages.



# The Crisis

- financial crisis quickly turned into a major economic crisis
  - people sharply cut consumption
  - firms sharply cut investment
  - 2008Q3, U.S. output growth turned negative
- the U.S. crisis quickly became a world crisis
  - the U.S. exports less to other countries
- strong monetary and fiscal policies are adopted to prop up financial markets and stimulate the economy
  - central bank of the U.S. cut interest rates all the way down to zero
  - U.S. government cut taxes and increased spending

# The United States



- the largest country in the world in economic terms
- high standard of living

# The United States

**Table 1-1** Growth, Unemployment, and Inflation in the United States, 1990–2015

Percent	1990–2007 (average)	2008–2009 (average)	2010–2014 (average)	2015
Output growth rate	3.0	–1.5	2.2	2.5
Unemployment rate	5.4	7.5	8.0	5.4
Inflation rate	2.3	1.4	1.6	0.7
Output growth rate: annual rate of growth of output (GDP). Unemployment rate: average over the year. Inflation rate: annual rate of change of the price level (GDP deflator).				
Source: IMF, <i>World Economic Outlook</i> , July 2015.				

- reasonably optimistic about the U.S. economy at this point

# The United States - Issues

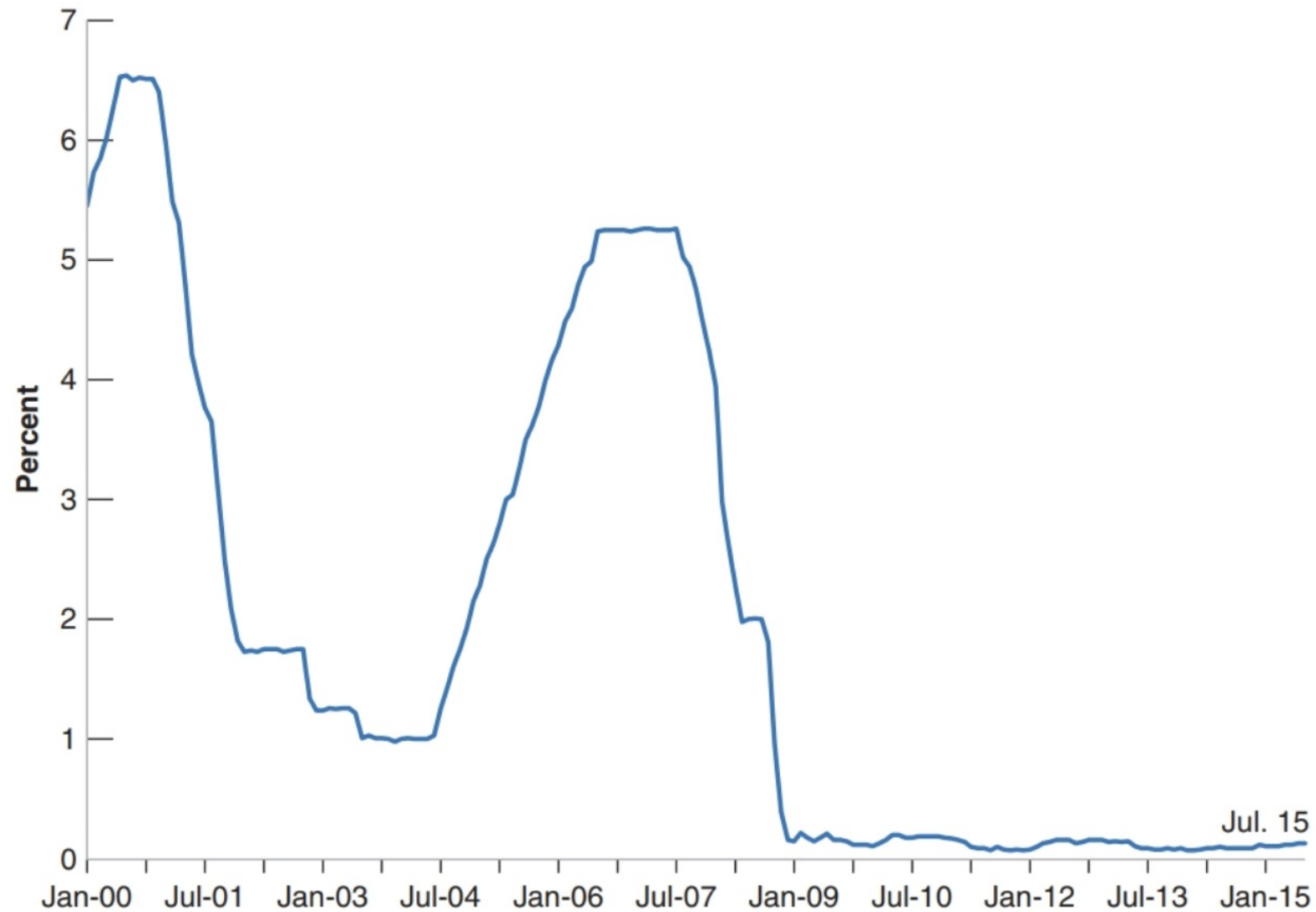
- the Fed hit the zero lower bound

**Figure 1-4**

***The U.S. Federal Funds Rate since 2000***

Source: Haver Analytics.

MyEconLab Real-time data



# The United States - Issues

- low productivity growth, and inequality is growing

**Table 1-2 Labor Productivity Growth, by Decade**

Percent change; year on year (average)	1990s	2000s	2010–2014
<b>Nonfarm Business Sector</b>	<b>2.0</b>	<b>2.6</b>	<b>1.2</b>
<b>Business Sector</b>	<b>2.1</b>	<b>2.6</b>	<b>1.2</b>
<b>Manufacturing</b>	<b>4.0</b>	<b>3.1</b>	<b>2.4</b>

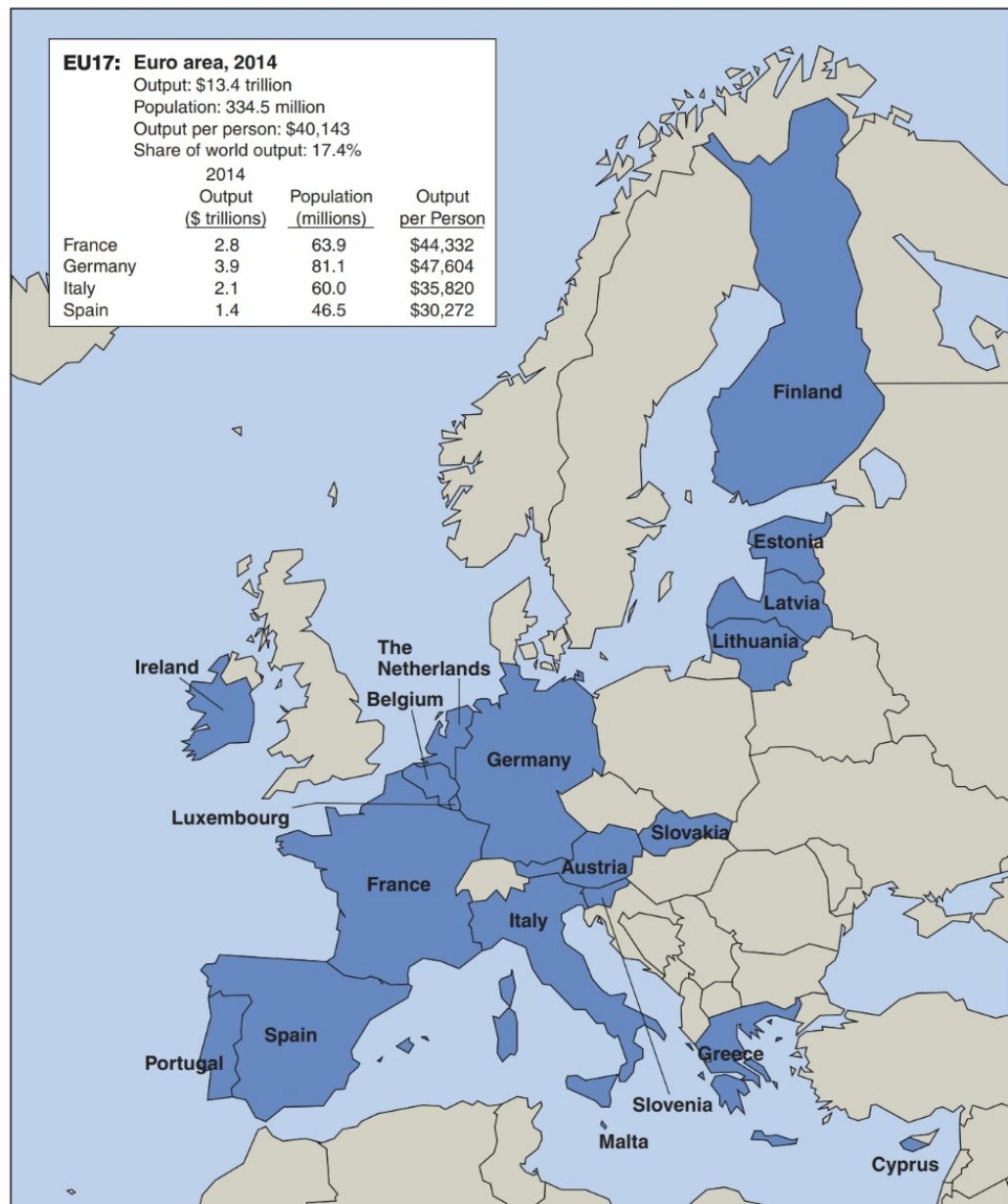
Source: Haver Analytics.

# The Euro Area

- In 1957, 6 European countries attempted to create a common European marketplace where people and goods could move freely
- In 1999, the European Union (EU) created a common currency (the Euro) that is now used by 17 countries. These countries are known as the Euro Area.
- The European Union consists of 28 countries that are committed to decreased border and trade regulations (27 with the exit of Great Britain).
- Note: When we refer to the Euro Area, we are referring to the 17 countries that use the Euro as their common currency NOT the 28 countries that belong to the EU.

# The Euro Area

- high output and high standard of living





# The Euro Area - Issues

- high unemployment

<b>Table 1-3 Growth, Unemployment, and Inflation in the Euro Area, 1990–2015</b>				
<b>Percent</b>	<b>1990–2007 (average)</b>	<b>2008–2009 (average)</b>	<b>2010–2014 (average)</b>	<b>2015</b>
<b>Output growth rate</b>	<b>2.1</b>	<b>–2.0</b>	<b>0.7</b>	<b>1.5</b>
<b>Unemployment rate</b>	<b>9.4</b>	<b>8.6</b>	<b>11.1</b>	<b>11.1</b>
<b>Inflation rate</b>	<b>2.1</b>	<b>1.5</b>	<b>1.0</b>	<b>1.1</b>
Output growth rate: annual rate of growth of output (GDP). Unemployment rate: average over the year. Inflation rate: annual rate of change of the price level (GDP deflator).				
Source: IMF, <i>World Economic Outlook</i> , July 2015.				



# The Euro Area - Issues

- whether and how it can function efficiently as a common currency area
  - a common currency means a common monetary policy
  - a common monetary policy means the same interest rate across the euro countries

# China, 2014

- population: 1,368 million
  - more than 4 times that of the U.S.
- output: 10.4 trillion dollars
  - the second largest country in the world
  - 13.5% of world output
  - about 60% of the U.S. output
- output per person: 7,627 dollars
  - about 15% of that in the U.S.
- output per person measured using purchasing power parity: \$ 12,100
  - roughly 25% of that in the U.S.

# China

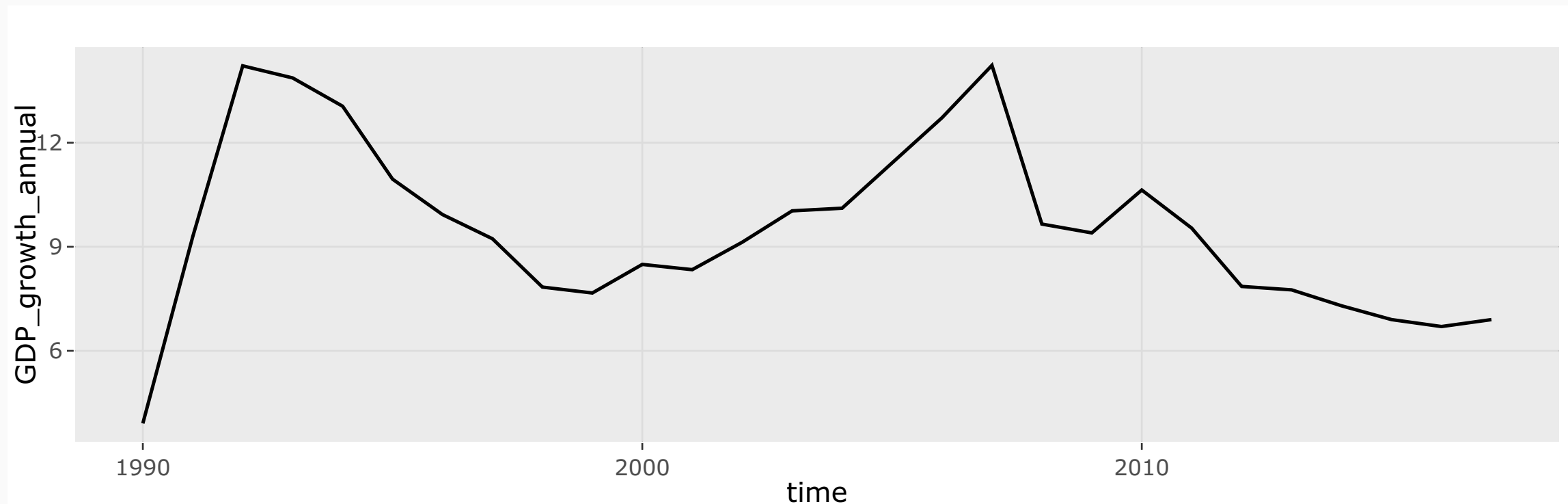
**Table 1-4** Growth, Unemployment, and Inflation in China, 1990–2015

Percent	1990–2007 (average)	2008–2009 (average)	2010–2014 (average)	2015
<b>Output growth rate</b>	<b>10.2</b>	<b>9.4</b>	<b>8.6</b>	<b>6.8</b>
<b>Unemployment rate</b>	<b>3.3</b>	<b>4.3</b>	<b>4.1</b>	<b>4.1</b>
<b>Inflation rate</b>	<b>5.9</b>	<b>3.7</b>	<b>4.2</b>	<b>1.2</b>
Output growth rate: annual rate of growth of output (GDP). Unemployment rate: average over the year. Inflation rate: annual rate of change of the price level (GDP deflator).				
Source: IMF, <i>World Economic Outlook</i> , July 2015.				

- China has been growing very rapidly for more than three decades
- Chinas rapid output growth has been driven by high accumulation of capital and technological progress.

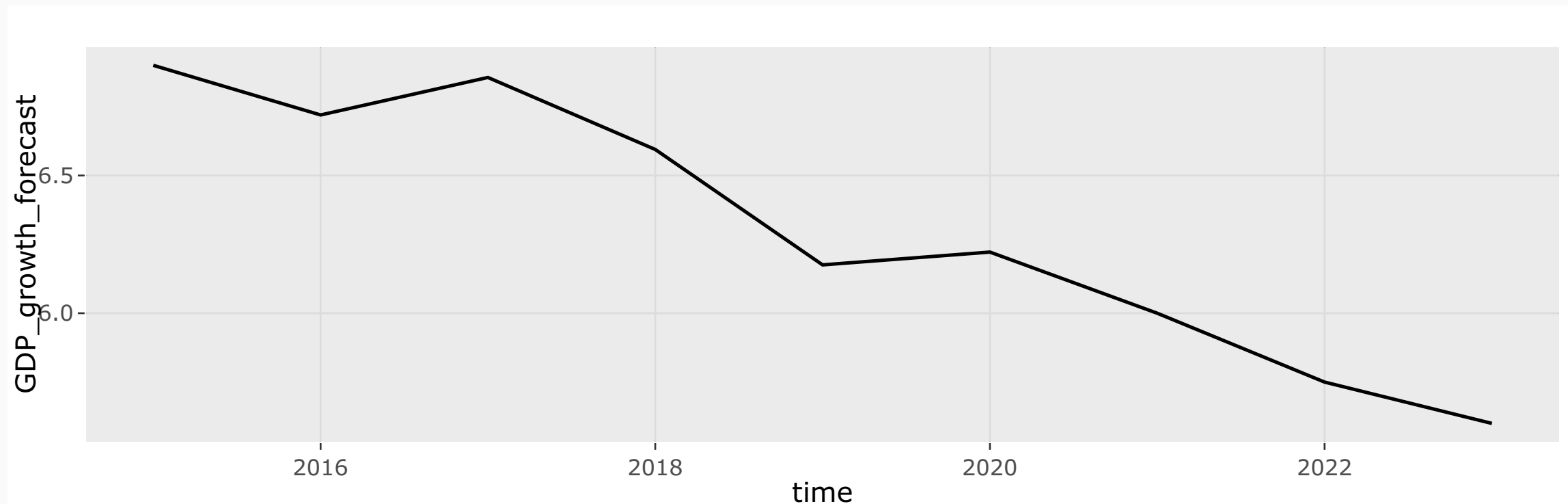
# China

- Since 2000, China's economic growth has shown a strong performance
- reported GDP growth rate has surpassed 8% for a decade, reaching a local peak of 14% in 2007



# China

- However, this momentum has been slowing in recent years
- According to the IMF, China's economic growth is predicted to slow to 6.2% in 2019, and slow to 5.6% in 2023



<https://www.youtube.com/watch?v=NqiNxTbIn-Q>

# Worldwide

- India is now growing very fast and becoming a world economic power.
- Japan has done very poorly in the last two decades. Since a stock market crash in the early 1990s, Japan has been in a prolonged slump, with average output growth under 1% per year.
- Latin America went from high inflation to low inflation in the 1990s, and then sustained strong growth. However, its growth has slowed
- Central and Eastern Europe shifted from central planning to a market system in the early 1990s. Some countries, such as Poland, now have high growth rates; others, such as Bulgaria, are still struggling.
- Africa has suffered decades of economic stagnation, but growth has been high since 2000, averaging 5.5% per year and reflecting growth in most of the countries of the continent.