

HOW DOES THE ECONOMY WORK?

An Introduction to Macroeconomics

Information:

Instructor: Marcin Pietrzak

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Course Meeting Information:

- When: Mon-Fri, 11am-2pm
- Where: Palace of Culture and Science, room 2301

Course Objectives:

You should think of this course as *A Guide to Macroeconomics* that provides you with a better understanding of many important public policy issues plus insight into some of today's heated debates. Macroeconomics focuses on concepts that often times show up in the daily news – inflation and unemployment, economic growth and recessions, exchange rates, interest rates, budget deficits and trade deficits. The goal of this course is to acquaint you with all these concepts and with how the economy, with all of its moving parts, works as a whole. Some of the questions that we will address are: What are the sources of long-run economic growth? Why are some countries much richer than others? How are inflation and unemployment affected by policy actions of central banks? What are the consequences of government budget deficits? After taking this course you will be able to answer these questions and decide what is the best for the economy.

Course Readings:

Course content is based on two textbooks: *Macroeconomics* by Paul Krugman and Robin Wells and *Macroeconomics* by N. Gregory Mankiw. We will not use textbooks in class, though it may be useful to get into details of topics covered. If you are interested not only in macroeconomics you can find a list of fun economics-related books below.

Predictably Irrational, by Dan Ariely

Freakonomics: A rogue economist explores the hidden side of everything, Steven D. Levitt and Stephen J. Dubner

The Black Swan, by Nassim Taleb

Fooled by Randomness, by Nassim Taleb

Assessment: 20% Class Participation, 50% Homework, 30% Group Project Presentation

Participation:

Attendance of the lectures is required and participation is encouraged. I will email slides or notes at least the night before each lecture, so you can print them prior to class if you wish to do so.

Homework:

We will have 2 homework assignments throughout the two weeks of class time. The questions on these assignments are meant to guide you through the material and to point out important concepts and details. There will be a short answer and a mathematical/graphical component to the homework each week. The math used in this course will be fairly basic – no calculus is required. Homework assignments will be done in pairs. The idea is for everyone to do the homework themselves and then meet and make sure that everyone is on board. Solutions will be provided once the homework is handed-in.

Group Project Presentations:

Groups of 3 or 4 students (depending on the class size) will be formed based on interest in specific research questions. A list of macroeconomics topics will be presented during the first week of classes,

and students will choose the questions that they are interested in. Students may also suggest topics if they find another topic more exciting to work on. Then, on the last day of class, students will present their findings to the rest of the class. Example topics:

- Is globalization a good thing for everyone?
- What are the economic effects of war?
- What are the causes of high inflation?
- What was the right thing for the Federal Reserve to do after the 2008 Financial Crisis?
- What are the advantages and disadvantages of being a member of the Eurozone?

Grading:

The class is graded on a credit/no-credit basis. Students will receive credit for the class as long as they attend lectures, complete their homework assignments, participate in the group project. Upon successfully completing the course, that is scoring at least 40% in total, students will receive a Certificate of Completion. Scores above 90% is necessary to get Certificate of Completion with distinction.

Course Schedule:

Date		Problem Set Due Dates	Topics
<i>Week 1</i>			
Mon			Course overview, logistics and expectations Introductory Lecture: First Principles (Chapter 1)
Tue			Lecture: Economics Models: Trade-offs and Trade (Chapter 2)
Wed			Lecture: Supply and Demand (Chapter 3)
Thu			Lecture: Price Controls and Quotas (Chapter 4)
Fri		PS 1	Lecture: International Trade (Chapter 5)
<i>Week 2</i>			
Mon			Lecture: Macroeconomics – The Big Picture (Chapter 6) & GDP and CPI – Tracking the Economy (Chapter 7)
Tue			Lecture: Unemployment and Inflation (Chapter 8)
Wed			Lecture: Fiscal Policy (Chapter 13) and Monetary Policy (Chapter 15)
Thu		PS 2	Lecture: Inflation, Disinflation and Deflation (Chapter 16)
Fri			<i>Group presentations and discussions</i>