

LECTURE I

17 January 2012

WELCOME TO MACRO

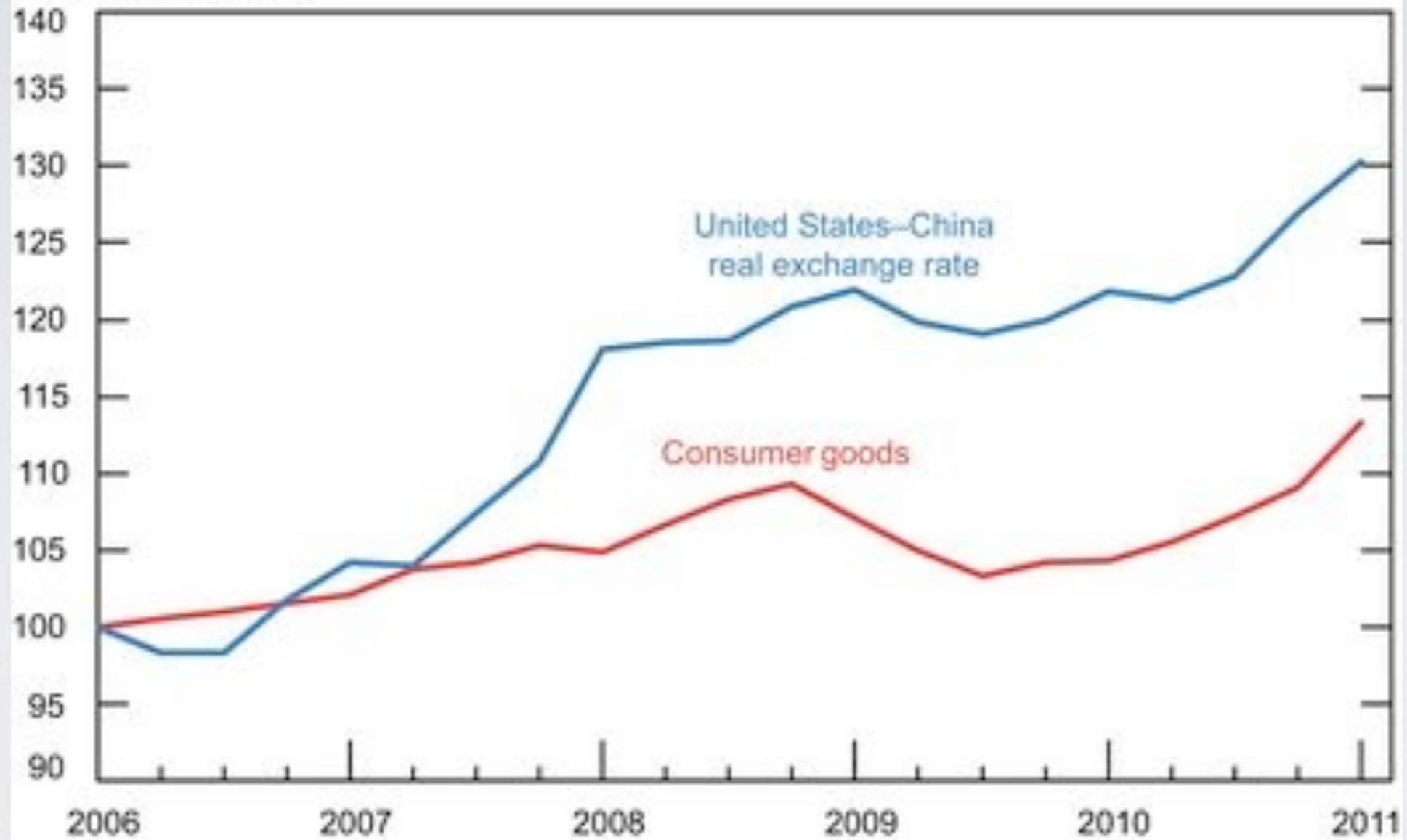
- Syllabus
- Class Resources
 - Moodle (Moodle2)
 - Aplia
 - Me, Iskander
 - Each Other

WHY TAKE THIS CLASS?

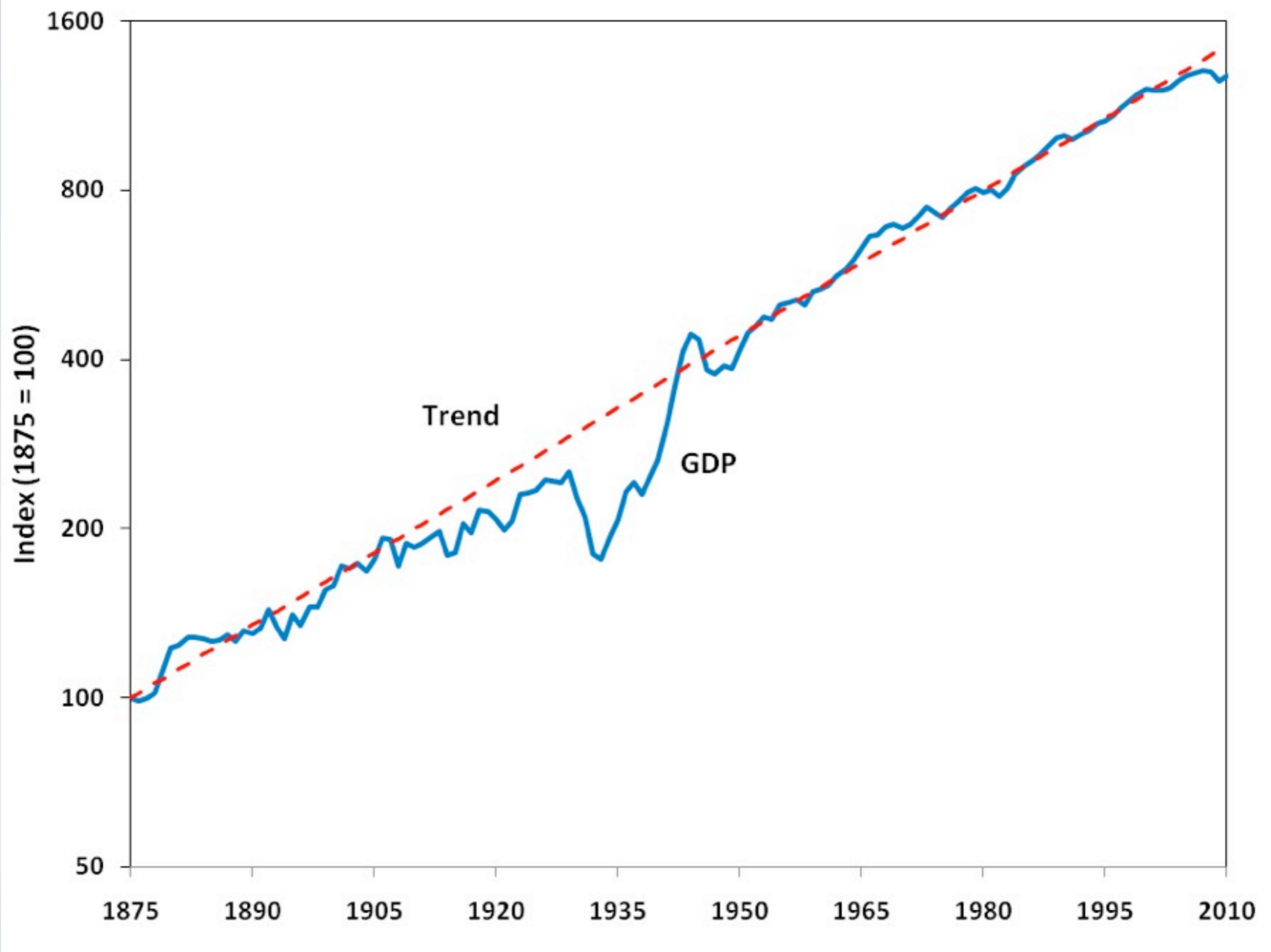
U.S. Import Prices of Consumer Goods from China

Quarterly

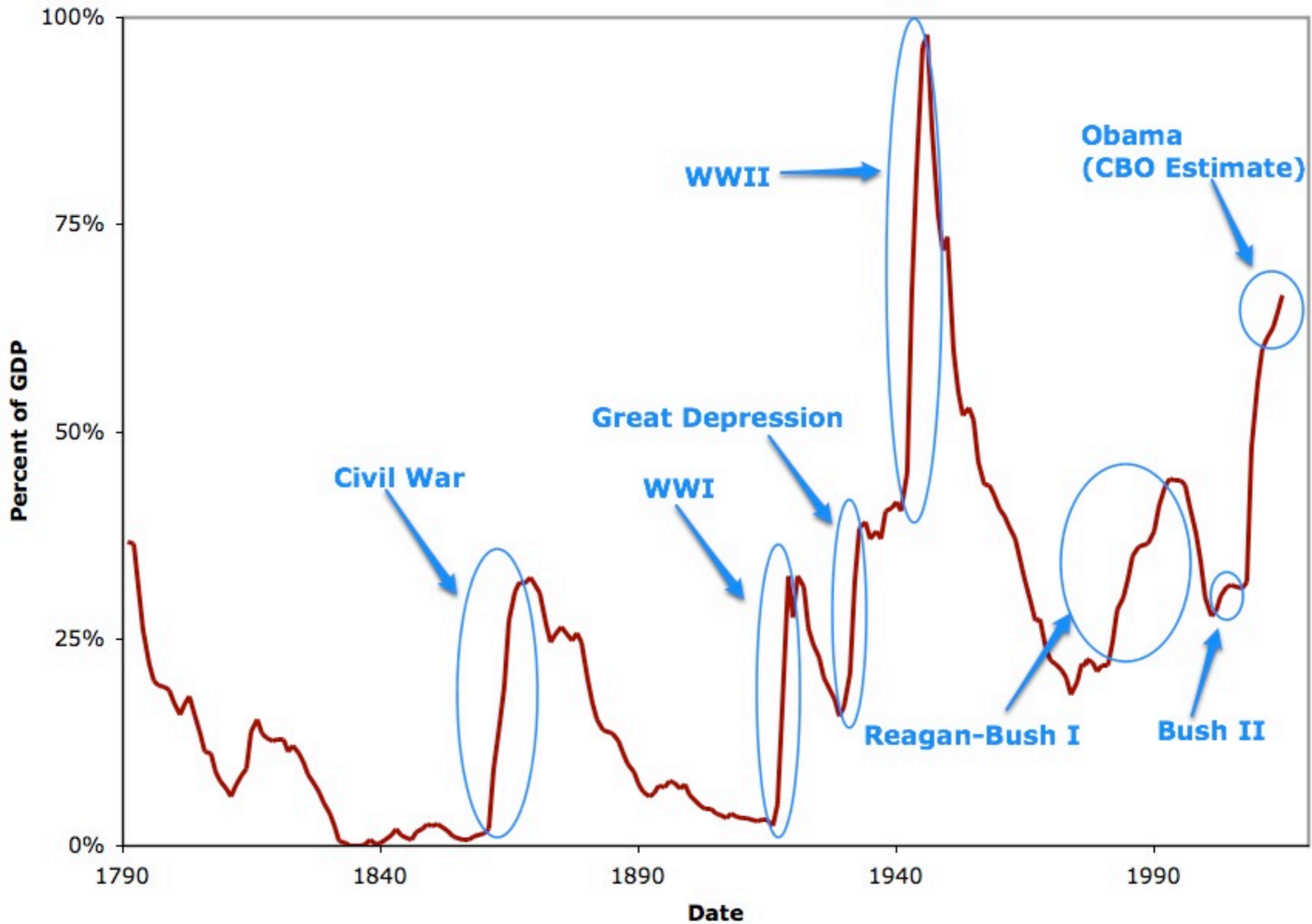
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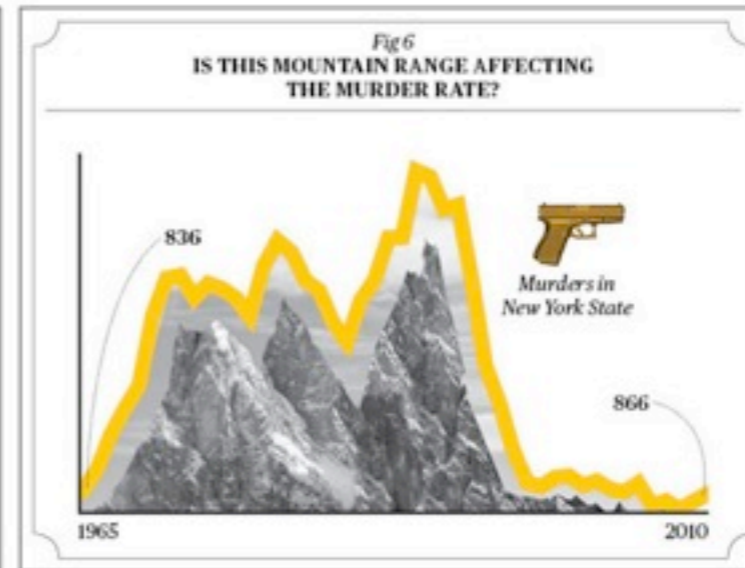
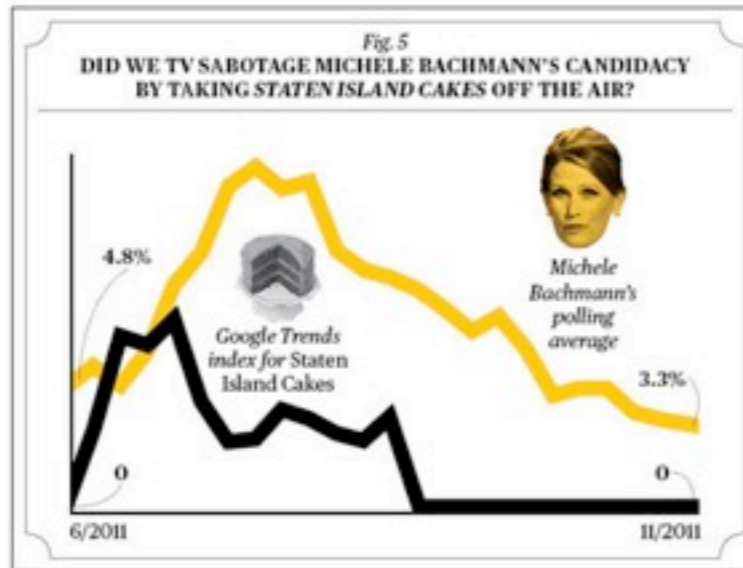
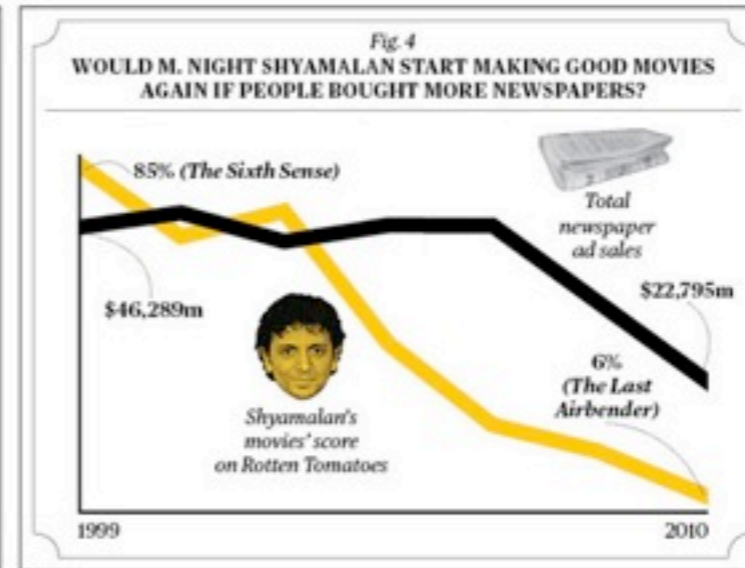
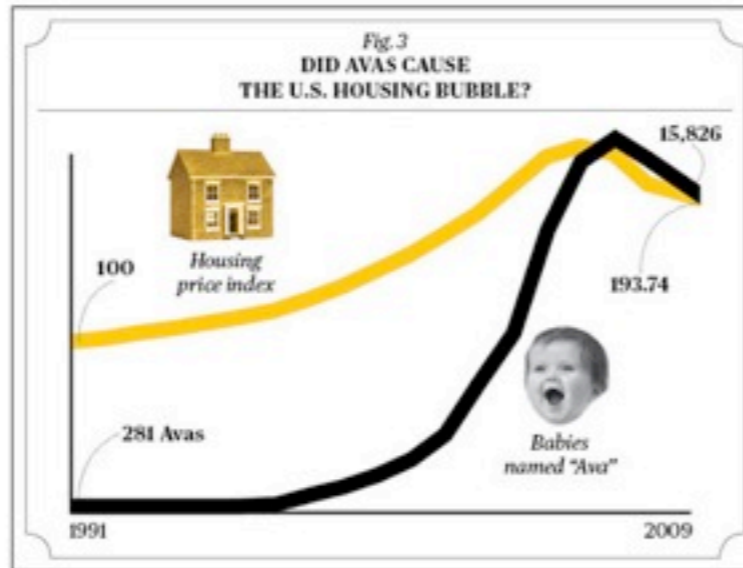
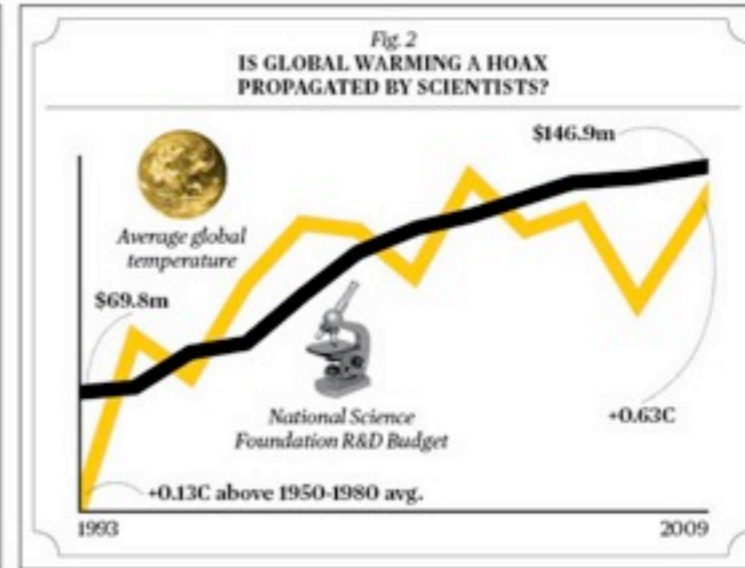
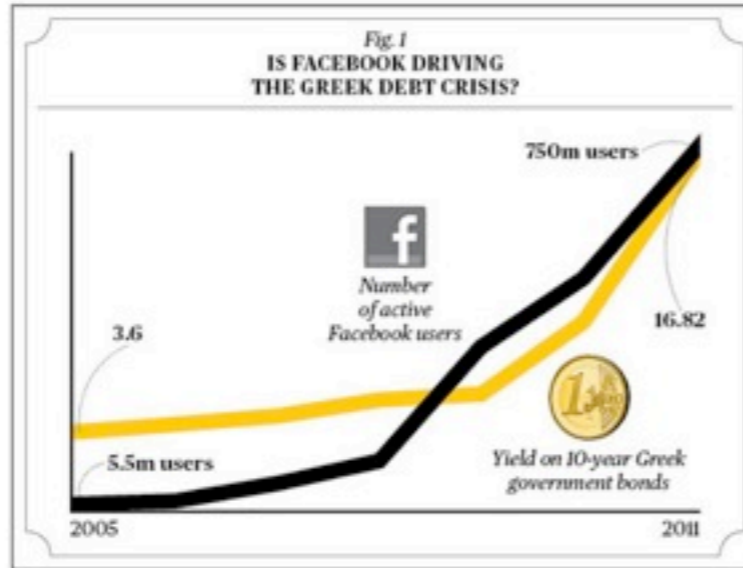
Sources: U.S. Census Bureau; Federal Reserve Bank of New York calculations.



Federal Debt Truly Held by the Public/GDP



ALAMY (3); BLOOMBERG (1); GETTY IMAGES (7); DATA, FIG. 1, FACEBOOK; BLOOMBERG; FIG. 2, NASA; NATIONAL SCIENCE FOUNDATION; FIG. 3, U.S. SOCIAL SECURITY ADMINISTRATION; FEDERAL HOUSING FINANCE AGENCY; FIG. 4, ROTTEN TOMATOES; NEWSPAPER ASSOCIATION OF AMERICA; FIG. 5, GOOGLE; REAL CLEAR POLITICS; FIG. 6, NEW YORK LAW ENFORCEMENT AGENCY



TOPICS

1. Micro basis of the macroeconomy: topics 1-2
2. Economic performance and growth: topics 3-7
3. Fiscal and Monetary Policy: topics 8-11
4. International Trade and Finance: topics 12-16

TOPIC I

Overview of Economics

WHAT IS ECONOMICS?

THE “TEN PRINCIPLES”

1. People Face Tradeoffs
2. Cost of Something is What You Give Up
3. Rational People Think at the Margin
4. People Respond to Incentives
5. Trade Can Make Everyone Better Off
6. Markets are Usually a Good Way to Organize Economic Activity
7. Governments Can Sometimes Improve the Outcome

THE “TEN PRINCIPLES”

8. Living Standards Depend on a Country's Ability to Produce Goods and Services

9. Prices Rise When a Government Prints Too Much Money

10. Society Faces a Trade-off Between Inflation and Unemployment

MACRO V. MICRO

- Macroeconomics

- Microeconomics

DOING ECONOMICS

- Interesting Questions?
- Positive and Normative Claims



TYPES OF ECONOMIES

- Economic System - how we distribute scarce resources to satisfy demand and need
- What Are Important Questions to Answer?
 1. What will be produced?
 2. How will it be?
 3. Who will get the goods and services produced?
 4. How do we accommodate change?
 5. Progress?
- Command and Market Economy

MARKET V. COMMAND

- Market
 - Property Rights
 - Freedom of Choice
 - Self-Interest Rules
 - Competition
 - Existence of Markets and Prices
 - Active government
- Command
 - Incentive Problems
 - Coordination problems

TOPIC 2

Aggregate Demand, Supply, and Equilibrium

OUR ECONOMY

- Buyers
- Sellers
- Anyone Else?

