

ECONOMICS 2 INTRODUCTION TO ECONOMICS

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COURSE INFORMATION AND PROCEDURES

COURSE DESCRIPTION

Economics 2 provides an introduction to both *microeconomics*, the study of consumer and firm behavior, markets, international trade, and market failures; and *macroeconomics*, the study of economic growth, unemployment, and inflation. Students learn both economic theory and some of the empirical evidence behind the theory. Special emphasis is placed on the application of economic tools to contemporary economic problems and policies.

Economics 2 satisfies all of the same requirements as Economics 1, and either can serve as a prerequisite for any upper-level course that requires introductory economics. Economics 2 differs from Economics 1 in that it has three hours of lecture and one hour of discussion section per week, instead of two hours of lecture and two hours of section. Some of the extra lecture time is used to reinforce concepts with additional examples and explanation (much as one would do in section), and some is used to cover additional topics and go into more depth. Economics 2 is recommended for students planning to major in economics, and for anyone who would like a more comprehensive introductory course.

READINGS

The required textbook for the course is *Principles of Economics*, 7th edition, by Robert H. Frank, Ben S. Bernanke, Kate Antonovics, and Ori Heffetz. It is available through the Cal Student Store or via the options listed at <https://www.mheducation.com/highered/product/principles-economics-frank-bernanke/M9781259852060.html>. There are also a handful of economics research articles that are required reading and available online through the University library.

LECTURE AND SECTIONS

There are three hours of lecture per week (Tuesday and Thursdays, 2:10–3:30 p.m. PT). Because of the pandemic, all lectures will be conducted via Zoom. The Zoom lectures will be recorded for those in very different time zones, but we strongly encourage anyone who can to watch them in real time. We will make active use of the chat feature to help you follow along and answer questions. We will also stay on the Zoom meeting after class to have the kind of informal discussion that happens in a regular lecture hall. Incomplete slides for lecture will be available before class for those who would like to print them out and take notes that way.

There is one hour of discussion section per week. Discussion sections are led by graduate student instructors and are devoted primarily to highlighting important topics from lecture, reviewing difficult material, working through problems, and answering questions. Discussion sections will also be conducted over Zoom, but they will **not** be recorded.

We strongly encourage and request that you turn on your video during the Zoom lectures and discussion sections if you are able to do so. It is very hard to teach when you cannot see people's

faces. Having the video on also helps you to stay focused and feel as though you are truly present in the class.

COURSE WEBSITE

Slides, announcements, lecture recordings, and assignments will be posted on the Econ 2 bCourses page:

<https://bcourses.berkeley.edu/courses/1496445>

Although we will periodically email the class with announcements, it is your responsibility to check the bCourses page frequently.

ASSIGNMENTS

There are eleven graded problem sets. You may work with other students on the problem sets, but your answers must be in your own words and handwritten. You also must list the other students with whom you worked on your answers. The problem sets will be submitted through Gradescope and are due at 2 p.m. PT on the day listed. The problem sets will be graded on a scale of 1 to 10.

There are two midterm exams. Each midterm will cover material up to and including the preceding lecture. The second midterm will focus on the material covered since the first midterm. The midterms will be taken remotely and then uploaded to Gradescope. They will be offered at two times—at the usual class time and 12 hours later. We expect any student for whom it is not a hardship to take the midterm at the usual class time. The midterms are open book and open note, but you may not use any other resources. There will be sufficient time pressure that you will need to be fully prepared to complete the tests in the allotted time. There are no make-up midterms; students who miss a midterm with an excuse meeting University standards will have their other exams weighted proportionately more.

The final exam will be offered at the scheduled exam time (Tuesday, December 15th, 8–11 a.m. PT). For those in very different time zones, there will be another exam sitting 12 hours later. As with the midterms, the final will be open book and open note, and you will upload your answers to Gradescope. There is no make-up final; students must be able to take the final exam at one of the two scheduled times in order to take the course.

We take academic integrity very seriously. There will be multiple versions of each midterm and the final exam, and academic dishonesty will be severely punished. We expect you to abide by the Berkeley honor code and follow all stated exam policies.

GRADING

All course assignments will be graded by the GSIs collectively. The course grade will be calculated as follows: (1) the problem sets are worth 12%, (2) the two midterm examinations are each worth 24%, and (3) the three-hour final examination is worth 40%.

We and the GSIs take grading very seriously and work hard to ensure fairness and accuracy. Because the problem sets are worth only a small fraction of the overall grade, regrade requests for problem sets will be considered only in extraordinary circumstances. For the midterm exams, if you believe a question has been graded incorrectly, you should submit your concern in writing to your GSI within one week of getting it back. They will forward your concern to the GSI who graded that particular question. University policy is that final grades cannot be changed once they are submitted, except to correct clerical mistakes.

The course may be taken Pass/Not Pass, if you are otherwise free to do so. Pass/Not Pass students are expected to do the same work as graded students and will receive scores on all assignments. If their final course grade is a C– or better, they will be awarded a Pass.

INSTRUCTOR CONTACT INFORMATION AND OFFICE HOURS

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Professor David Romer
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Please use email only for administrative issues; substantive questions about the material are best handled in office hours. Professor office hours for the course will be held over Zoom from 1:00–3:00 p.m. PT on Wednesdays. Especially in these challenging circumstances of remote instruction, it would be great for you to attend office hours frequently. GSI office hours will be posted on the course website.

COURSE ASSISTANT

The course assistant is Collin Jones. He is in charge of approving excused absences from a midterm exam, and for arranging accommodation for students with letters from the Disabled Students' Program. You may email him about these and other administrative matters at collin.jones@berkeley.edu. So that we can make necessary arrangements, letters requesting accommodation must be received by September 11th.

LECTURE OUTLINE AND READINGS

The chapters listed are from *Principles of Economics*, 7th Edition, by Frank, Bernanke, Antonovics, and Heffetz. The entire chapter is assigned unless specific pages are given. Appendixes to chapters are not assigned unless noted. The articles listed are available at the links given through the University library. The entire article is assigned unless specific pages are given.

I. FUNDAMENTAL ECONOMIC PRINCIPLES

- Thurs. Aug. 27 Scarcity and Choice
Chapter 1, including the appendix
- Tues. Sept. 1 Comparative Advantage and the Gains from Specialization
Chapter 2 (pp. 31–47)
Distribute Problem Set 1

II. THE MARKET SYSTEM

- Thurs. Sept. 3 Supply and Demand Framework
Chapter 3 (pp. 55–78)
- Tues. Sept. 8 Extensions of Supply and Demand Analysis
Chapter 4
Problem Set 1 due; distribute Problem Set 2

III. THE BEHAVIOR OF HOUSEHOLDS AND FIRMS

- Thurs. Sept. 10 Households and Utility Maximization
Chapter 5 (pp. 113–129)
“Fairness as a Constraint on Profit Seeking: Entitlements in the Market” by Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler.
<https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/1806070.pdf>
- Tues. Sept. 15 Firms and Profit Maximization
Chapter 6 (pp. 149–165)
Problem Set 2 due; distribute Problem Set 3

IV. THE INVISIBLE HAND AND EFFICIENCY

- Thurs. Sept. 17 Competitive Firms in the Long Run
Chapter 7 (pp. 173–184)
- Tues. Sept. 22 Welfare Analysis
Chapter 5 (pp. 130–133), Chapter 6 (pp. 168–169), and Chapter 7 (pp. 187–199)
“The Misallocation of Housing under Rent Control” by Edward Glaeser and Erzo Luttmer (pp. 1027–1032 and 1036–1042).
<https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/3132277.pdf>
Problem Set 3 due; distribute Problem Set 4

V. MARKET FAILURES

- Thurs. Sept. 24 Monopoly
Chapter 8 (pp. 203–218)
- Tues. Sept. 29 Externalities
Chapter 11 (pp. 293–306 and 316–321)
Problem Set 4 due
- Thurs. Oct. 1 First Midterm Examination**

VI. THE MARKETS FOR LABOR AND CAPITAL

- Tues. Oct. 6 Labor and Wages
Chapter 13 (pp. 349–361)
“The Impact of the Mariel Boatlift on the Miami Labor Market” by David Card.
<https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/2523702.pdf>
Distribute Problem Set 5
- Thurs. Oct. 8 Rising Income Inequality
Chapter 13 (pp. 361–370) and Chapter 20 (pp. 539–544)
“Income Inequality in the United States, 1913–1998” by Thomas Piketty and Emmanuel Saez.
<https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/25053897.pdf>
- Tues. Oct. 13 Capital and Interest
Chapter 21 (pp. 571–574) and Chapter 23 (pp. 606–616)
Problem Set 5 due; distribute Problem Set 6

VII. INTERNATIONAL TRADE

- Thurs. Oct. 15 Comparative Advantage and the Gains from International Trade
Chapter 15 (pp. 397–407)
- Tues. Oct. 20 Supply and Demand Model of Trade and Trade Policy
Chapter 15 (pp. 407–419)
Problem Set 6 due; distribute Problem Set 7

VIII. LONG-RUN ECONOMIC GROWTH

- Thurs. Oct. 22 Measurement and Behavior of Real GDP
Chapter 17 (pp. 441–462), Chapter 18, and Chapter 19 (pp. 497–502)
- Tues. Oct. 27 Technological Change and Economic Growth
Chapter 19 (pp. 503–520)
Problem Set 7 due; distribute Problem Set 8

IX. EMPLOYMENT AND INVESTMENT IN THE LONG RUN

- Thurs. Oct. 29 Employment and Unemployment in the Long Run
Chapter 17 (pp. 463–466) and Chapter 20
“Minimum Wages and Racial Inequality” by Ellora Derenoncourt and
Claire Montailoux.
<http://www.clairemontailoux.com/files/DM2020.pdf>
- Tues. Nov. 3 Saving and Investment in the Long Run
Chapter 21 (pp. 553–570 and 574–578)
Problem Set 8 due
- Thurs. Nov. 5 Second Midterm Examination**

X. SHORT-RUN MACROECONOMIC FLUCTUATIONS

- Tues. Nov. 10 Planned Aggregate Expenditure and Output
Chapter 24 (pp. 629–644), and Chapter 25 (pp. 649–668)
Distribute Problem Set 9
- Thurs. Nov. 12 Fiscal Policy
Chapter 25 (pp. 668–677 and Appendix A)
“The Macroeconomic Effects of Tax Changes” by Christina Romer and
David Romer (pp. 763–787 and 798–800).
<https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/27871230.pdf>
- Tues. Nov. 17 Monetary Policy and Financial Markets
Chapter 26 (pp. 708–717)
Problem Set 9 due; distribute Problem Set 10
- Thurs. Nov. 19 Inflation and the Return to Potential Output
Chapter 27 (pp. 734–738) and Chapter 26 (pp. 717–721)

XI. THE MACROECONOMICS OF THE COVID-19 PANDEMIC

- Tues. Nov. 24 Macroeconomics of the Covid-19 Pandemic
Readings to be determined later.
Problem Set 10 due; distribute Problem Set 11
- Thurs. Nov 26 Thanksgiving, No Class

XII. INTERNATIONAL MACROECONOMICS

- Tues. Dec. 1 Exchange Rates and the Balance of Payments
Chapter 28 (pp. 765–772 and 777–783)
- Thurs. Dec. 3 Determinants of Net Exports
Chapter 23 (pp. 616–625)
Problem Set 11 due

XIII. REVIEW AND SUMMARY

Tues. Dec. 8 Lessons and Tools of Economics

Tues. Dec. 15 *Final Examination, 8–11 A.M. PT*

ADDITIONAL REQUIRED READINGS

These articles are available without charge at the web addresses given, provided you access them through a University computer or are logged into the library. For more information on how to connect to the library from off-campus, see: <http://www.lib.berkeley.edu/using-the-libraries/connect-off-campus>.

Kahneman, Daniel, Jack L. Knetsch, and Richard Thaler. 1986. "Fairness as a Constraint on Profit Seeking: Entitlements in the Market." *American Economic Review* 76 (September): 728–741. <https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/1806070.pdf>

Glaeser, Edward L., and Erzo F. P. Luttmer. 2003. "The Misallocation of Housing under Rent Control." *American Economic Review* 93 (September): 1027–1046. <https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/3132277.pdf>

Card, David. 1990. "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review* 43 (January): 245–257. <https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/2523702.pdf>

Piketty, Thomas, and Emmanuel Saez. 2003. "Income Inequality in the United States, 1913–1998." *Quarterly Journal of Economics* 118 (February): 1–39. <https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/25053897.pdf>

Derenoncourt, Ellora and Claire Montailoux. 2020. "Minimum Wages and Racial Inequality." Working paper, University of California, Berkeley (June). <http://www.clairemontailoux.com/files/DM2020.pdf>

Romer, Christina D., and David H. Romer. 2010. "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks." *American Economic Review* 100 (June): 763–801. <https://www-jstor-org.libproxy.berkeley.edu/stable/pdf/27871230.pdf>