

UN1105 Summer 2020 Principles of Economics  
Pre-Module Activities: Macroeconomics

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**Course description:**

The summer semester *Principles of Economics* course at Columbia Summer School is 12 weeks (6 weeks of microeconomics and 6 weeks of macroeconomics), taught in 2 lectures (T and R) and 1 recitation per week. Each week on Sunday, students are assigned a pre-module (pre-unit) activity, to be completed before the Tuesday lecture. Problem sets are assigned weekly in two parts. Problem set Part A (assigned after the Tuesday lecture and due before the Thursday lecture) focuses on more conceptual questions that prompt the students to reflect on the material that has been introduced so far that week. It is graded based on completion. Part B (assigned after the Thursday lecture and due on Sunday) introduces more computational problems and is assessed based on the student's ability to correctly apply the skills they have learned that week.

The instructor for the course section is responsible for writing their respective pre-module activities and problem sets.

Each week on the syllabus covers one module. During the actual course, due to the length of content and in the interest of covering the material thoroughly with the students, Module 8 (Credit, Money, Banking, and Monetary Policy) was split over 3 lectures instead of 2 lectures. Rather than shift the schedule of assignments partway through the course to accommodate the shifted module schedule, I instead adjusted and swapped as needed the pre-module activities and Parts A to line up with the new weekly content.

Below, both the actual pre-module activities implemented in the class and alternative pre-module activities, where applicable, are provided.

Schedule of modules for pre-module activities:

- I. Week 1 (Module 7 Parts 1 and 2)
- II. Week 2 (Module 8 Parts 1 and 2)
- III. Week 3 (Module 8 Part 3 and Module 9 Part 1)
- IV. Week 4 (Module 9 Part 2 and Module 10 Part 1)
  - a. Week 4 alternative (Module 10 Parts 1 and 2)
- V. Week 5 (Module 10 Part 2 and Module 11 Part 1)
  - a. Week 5 alternative (Module 11 Parts 1 and 2)
- VI. Week 6 (Module 11 Part 2 and Concluding lecture)

## Week 1

### Module 7 (Economic Fluctuations, Growth, and Inequality)

Welcome to Part 2 of Principles of Economics! On Tuesday, we begin our discussion and exploration of topics in Macroeconomics.

Before our first Macro lecture on Tuesday, read the article "[Micro and Macro: The Economic Divide?](#)" by G. Chris Rodrigo, published online in *Finance & Development* of the International Monetary Fund, on the relationship between microeconomics and macroeconomics.

After you've read the article, make a post (no more than 3 sentences) listing any one (1) new thing that you learned from your reading. It can be about anything: something related to microeconomics and/or macroeconomics, the role/contributions of an economist, or something else. If you already knew about everything in the article, come up with a question or topic that you would have liked for the author to address in his discussion.

Finally, come in ready to discuss what you read in class!

Source: Rodrigo, G. Chris. "Micro and Macro: The Economic Divide?". *Finance & Development*. International Monetary Fund. Feb 24, 2020. Accessed July 3, 2020. <https://www.imf.org/external/pubs/ft/fandd/basics/bigsmall.htm>

## Week 2

### Module 8 (Credit, Money, Banking, and Monetary Policy)

Frequently, households, firms, or the government want to buy items (such as houses), make investments, or fund public projects that are worth more than the money that they currently have. In these situations, credit markets allow individuals or organizations to borrow money to spend now, in exchange for paying back the amount of the loan (the principal) plus some interest on the loan (a percentage of the loaned amount) to the lender in the future.

Pick a bank in your area that offers loans. Pick a specific type of loan (e.g., personal loan, student loan, mortgage\*, etc.) and look up the terms of taking out the loan (e.g. what interest rate does the bank charge, how long do you have to pay back the loan, what are borrower requirements like credit score, etc.). Then, think about and post a response to the following questions:

What type of loan at what bank did you pick, and what are some of the terms/requirements that you are able to find listed? Does the loan sound like a good deal to you? What do you think are some risks associated with taking out a loan? Do the costs and risks of taking out the loan seem worth the benefit that you would get from the loan and its intended purchase?

Answer in 350 words or less.

*\*Note: A mortgage is a loan to purchase a house.*

### Week 3

Module 8 (Credit, Money, Banking, and Monetary Policy) – Monetary policy

Module 9 (Labor Markets, Unemployment, and Fiscal Policy) – Fiscal policy

Pick any country other than the United States. Spend some time reading about the history of the central bank (or the equivalent central banking authority) in your country of choice. (You can start on Wikipedia, but please refer to other sources as well. The website for the central bank typically has a “history” or “about” section where you can find this information.) Make a short post about the history of the institution that you learn. Here are some questions that you can answer in your post:

1. When was the central bank first established? How was it established (e.g., authorized by a legislative act of parliament, established by the executive branch, etc.)?
2. Was another country’s central bank ever in charge of the monetary system and/or policy in your chosen country (e.g., during a period of colonization or military occupation)? Conversely, was your country’s central bank ever in charge of the monetary system and/or policy in any occupied countries?
3. What is the modern governing structure of the central bank? For example, are there any regional banks? Is there a commission or a governing board at the head of the bank? Who makes the decisions about monetary policy?
4. Any other interesting facts that you learn about the bank.

Your post should be approximately 250 words (+/- 30 words).

Now for a social collateral system in the spirit of Grameen Bank. In class, instead of sharing details about our own post, you will be responsible for sharing something from a post made by your activity partner (which you can find in [the spreadsheet here \(Links to a Google doc.\)](#)) and vice versa. There is one group of three. If you were not added to the list, that's my mistake, please let me know. You do not need to work together with your partner in writing the posts, but you may coordinate choice of (different) countries by posting your chosen country in the spreadsheet. Please be sure to post your pre-class activity response at least 30 min before the start of class, so that your partner has time to look through it. If something comes up and you know that you will not be able to make a post for the pre-module activity, please send me an email by 6 pm on Monday.

## Week 4

### Module 9 (Labor Markets, Unemployment, and Fiscal Policy) – Labor Markets and Inflation

### Module 10 (Financial Crises in History: Great Depression and Great Recession) – Great Depression

The ongoing pandemic has led to massive increases in unemployment in countries around the world, including the United States. In March, the US Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which supplemented state unemployment benefits with weekly federal benefits of \$600. These federal benefits are set to expire at the end of July, and there's been an ongoing debate among policymakers and economists alike about whether the benefits should be continued and about alternative schemes to structure and pay out the benefits.

Read the following two articles. (They are posted on Canvas under *Files > Readings*, but are also accessible at the links at the bottom if you have a subscription to these papers. Start with the Tankersley and Casselman article because it will give you more context about the situation.)

1. [“Here’s How Congress Might Replace the Extra \\$600 Weekly Jobless Benefit” by Jim Tankersley and Ben Casselman in \*The New York Times\* \(July 23, 2020\).](#)
2. [“Congress Can Still Save the Recovery” by Casey Mulligan and Brian Blase in \*The Wall Street Journal\* \(April 7, 2020\).](#)

In a post of no more than 400 words, answer the following questions:

1. What are some arguments for and against paying out unemployment benefits that these articles discuss?
2. Which argument do you find more convincing and why?

In your answer, use various economic terms and data (that we have learned in class and that you may have read about outside of the course) to explain the two sides and to support your answer. You do not need to cite your sources properly (e.g., Lecture 17 slide 10 or "US Census Labor Report") for this assignment, but you should make your argument in a way that an economist would. As a refresher, you may find it helpful to go back to our discussion of individual's decisions about work and leisure from Module 3 (see pre-class activity and the lecture notes). You can also draw on your own personal experience or experiences of people you know/have read about that may be relevant.

#### Original links:

<https://www.nytimes.com/2020/07/23/business/economy/unemployment-benefits.html>

<https://www.wsj.com/articles/congress-can-still-save-the-recovery-11586279678>

#### Additional readings (not required for the assignment, just for your own curiosity):

- A [short summary](#) of the University of Chicago and the JPMorgan Chase Institute study cited by Tankersley and Casselman (that “found that spending among benefit recipients

actually rose by 10 percent above their pre-pandemic level”) conducted by Diana Farrell, Peter Ganong, Fiona Greig, Max Liebeskind, Pascal Noel, and Joe Vavra.

<https://institute.jpmorganchase.com/institute/research/labor-markets/report-consumption-effects-of-unemployment-insurance-during-the-covid-19-pandemic>

- [Adapted remarks](#) by University of Chicago economics professor Casey B. Mulligan (on occasion of receiving the Hayek Prize from the Manhattan Institute for his book "The Redistribution Recession") on "how public policy [during the Great Recession] intended to make layoffs less painful actually made layoffs cheaper and more common".

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## Alternative Week 4

### Module 10 (Financial Crises in History: Great Depression and Great Recession)

Go to [TimesMachine](#), the digital archive for *The New York Times*, and search for articles containing one of the keywords listed below that were published during your assigned time period (see [spreadsheet \(Links to a Google spreadsheet.\)](#)). Choose an article that you find to be the most interesting and that is relevant to your keyword, and briefly (in 200-250 words) summarize the content of the story. What was happening at the time? From the article, does it seem as if there is a serious looming/ongoing economic crisis?

Post your response below, in a reply to the comment listing your time period. Include the title, date, and link to your article at the end of the post. Summaries for articles written outside of your assigned time period will not receive credit. **Additional note:** *The article that you find does not need to be about the United States (with the exception of an article on the Federal Reserve perhaps). Articles on any and all countries are fair game!*

**Keywords** (I recommend picking one of the following to search, although you can try a combination as well):

1. Falling prices
2. Unemployment
3. Great depression (OR recession)
4. Stock market
5. Federal Reserve

## Week 5

### Module 10 (Financial Crises in History: Great Depression and Great Recession) – Great Recession Module 11 (Economics of Health Care and Education)

According to [Anat Admati](#), an economist at Stanford Business School and leading expert on the banking industry and the financial crisis of 2007-08, one of the challenges in addressing many of the issues that led to the crisis is the lack of transparency not only about the mechanics of banking but also the **jargon** (i.e. specialized language) used in the banking industry. As we prepare to discuss the causes and consequences of the Great Recession, let's work together to demystify some of this jargon that we often hear about in the news.

Go to [this spreadsheet \(Links to a Google spreadsheet.\)](#), which lists commonly used terms in finance. Please contribute definitions for your assigned term and *at least two other terms*. Your definitions only need to be 1-2 sentences each.

If you would like, you can contribute your own term related to the financial sector that is not listed in the spreadsheet and a definition for it. Make sure to include a source (a website link or book author + title are sufficient) for all definitions that you contribute.

**Please post your responses directly in the Google sheet.** You do not need to make a post on the discussion board for this week's pre-class activity.

Link to video of Anat Admati: <https://www.youtube.com/watch?reload=9&v=HYxJeuGzXAo>

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## Alternative Week 5

### Module 11 (Economics of Health Care and Education)

For the remainder of the course, we will be talking about education and health care. One of the frameworks through which economists study education and health care, particularly in the context of economic growth and labor markets, is the model of *human capital* acquisition, where education and health care are considered inputs into an individual's set of knowledge and skills. For this assignment, you will read about and engage with ideas related to economists' study of human capital.

Read the following:

- [“What is human capital and why does it matter?” FAQ section](#) on the World Bank page (read answer to question 1 only)
- Section 1-3 (pp. 3-8) of [Chapter 1 from Lectures in Labor Economics by Daron Acemoglu and David Autor](#) (posted under *Files > Readings*).

Then submit a response to the following questions:

1. In 1-2 sentences, define human capital.
2. Come up with three real-world examples of human capital, one to fit each of the following classifications outlined in Section 2 of the Acemoglu and Autor reading:
  - Becker's view (human capital as directly related to the production process);
  - Schultz/Nelson-Phelps view (human capital and adaptability), and
  - Spence view (human capital as signaling device).

For example, for Becker's view you could write "good physical health for someone working a physically intensive job, such as construction or mining" or "knowledge of foreign languages for someone working at a multinational company or as a translator".

3. Which of the factors outlined in Section 3 do you think is the most influential in determining lifetime human capital acquisition and levels for people? Do you think another factor that the authors do not mention is more influential? Answer in 200 words or less.

Sources:

1. The World Bank. "The Human Capital Project: Frequently Asked Questions." Last edited: June 2021. Last accessed: July 2021. <https://www.worldbank.org/en/publication/human-capital/brief/the-human-capital-project-frequently-asked-questions#1>
2. Acemoglu, D. and D. Autor. *Lectures in Labor Economics*. "The Basic Theory of Human Capital." Last accessed: July 2021. <https://economics.mit.edu/files/4689>



## Week 6

### Module 11 (Economics of Health Care and Education)

### Module 12 (Conclusions)

“Medicare for All” is a plan to establish a universal single-payer health care system in the United States. "Universal" means that everyone would be covered, and "single-payer" means that expenses would be primarily paid by the federal government (the "single" payer), funded through taxes. The plan was first introduced as a bill in Congress in 2003 as the Expanded and Improved Medicare for All Act and has been getting more attention and traction around the country ever since. Now, with the ongoing pandemic, the need to solve issues of health care access and affordability has become more acute than ever before.

Based on the two readings for this week and what you’ve read on your own or heard about in the news, what do you think are some of the benefits of implementing “Medicare for All” in the United States? What are some of the cons? Be sure to explicitly refer to at least one argument from either the Kuziemko or the Baicker reading. Your post should be approximately 200-300 words.