

Economics 1: Fall 2010

J. Bradford DeLong, Michael Urbancic, and a cast of thousands...

http://delong.typepad.com/http://delong.typepad.com/econ_1_fall_2010/

Economics 1: Fall 2010: Introduction

http://delong.typepad.com/econ_1_fall_2010/2010/08/econ-1-august-30-lecture-introduction-to-macroeconomics.html

August 30, 2010, 12-1
Wheeler Auditorium, U.C. Berkeley

iClicker

- Power light shows when you turn it on
- Question: Have you registered your iClicker at iclicker.com?
 - A. Yes
 - B. Not yet



Who Are You?

- A. First-year
- B. Second-year
- C. Third-year
- D. Fourth-year
- E. Other

Who Are You? II

- A. Republican
- B. Democrat
- C. Communitarian
- D. Authoritarian
- E. Libertarian

Did You Do the Summer Reading?

- A. Yes
- B. No
- C. Most of it
- D. Some of it
- E. It depends: why are you asking?

Have You Taken Economics Before?

- A. Yes, and I remember a lot from it
- B. Yes, and I remember some things from it
- C. Yes, but I remember nothing at all from it
- D. No
- E. I'm not sure...

Things to Notice About This Course

- It is one semester
 - Everywhere else this is a two semester course:
 - We go fast
- This is the University of California at Berkeley
 - Certainly the finest public university in the world
 - Perhaps the finest university in the world
 - Others could be in your seats
 - This ain't the Mudd Club, or CBGB...
- This is Wheeler Auditorium
 - Largest course you may ever take
 - A pre-Gutenberg educational technology for a post-Gutenberg age

Components of Economics



Choice

Markets

**Market
Failures**

**Political
Economy**



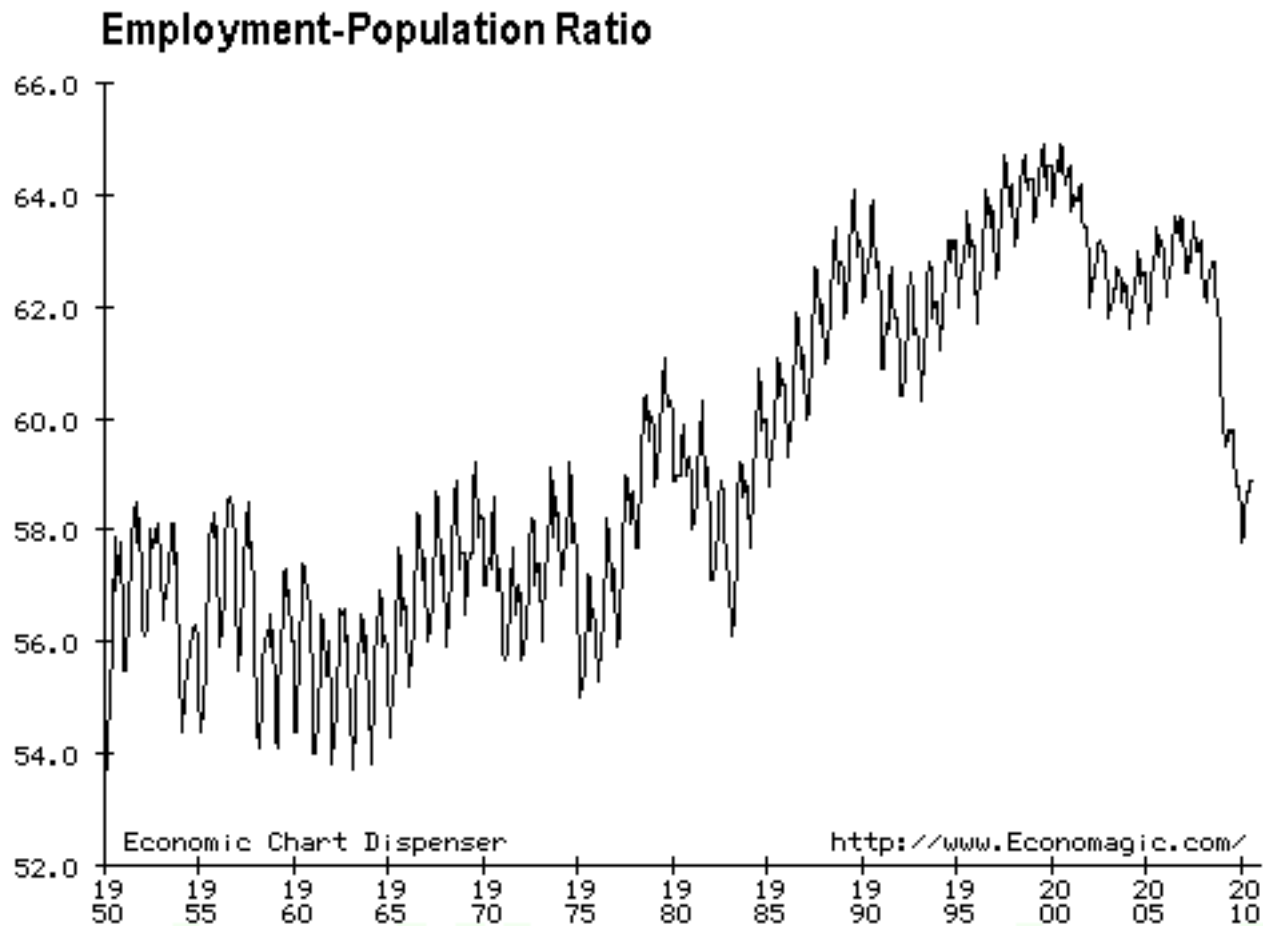
Depressions

Inflations

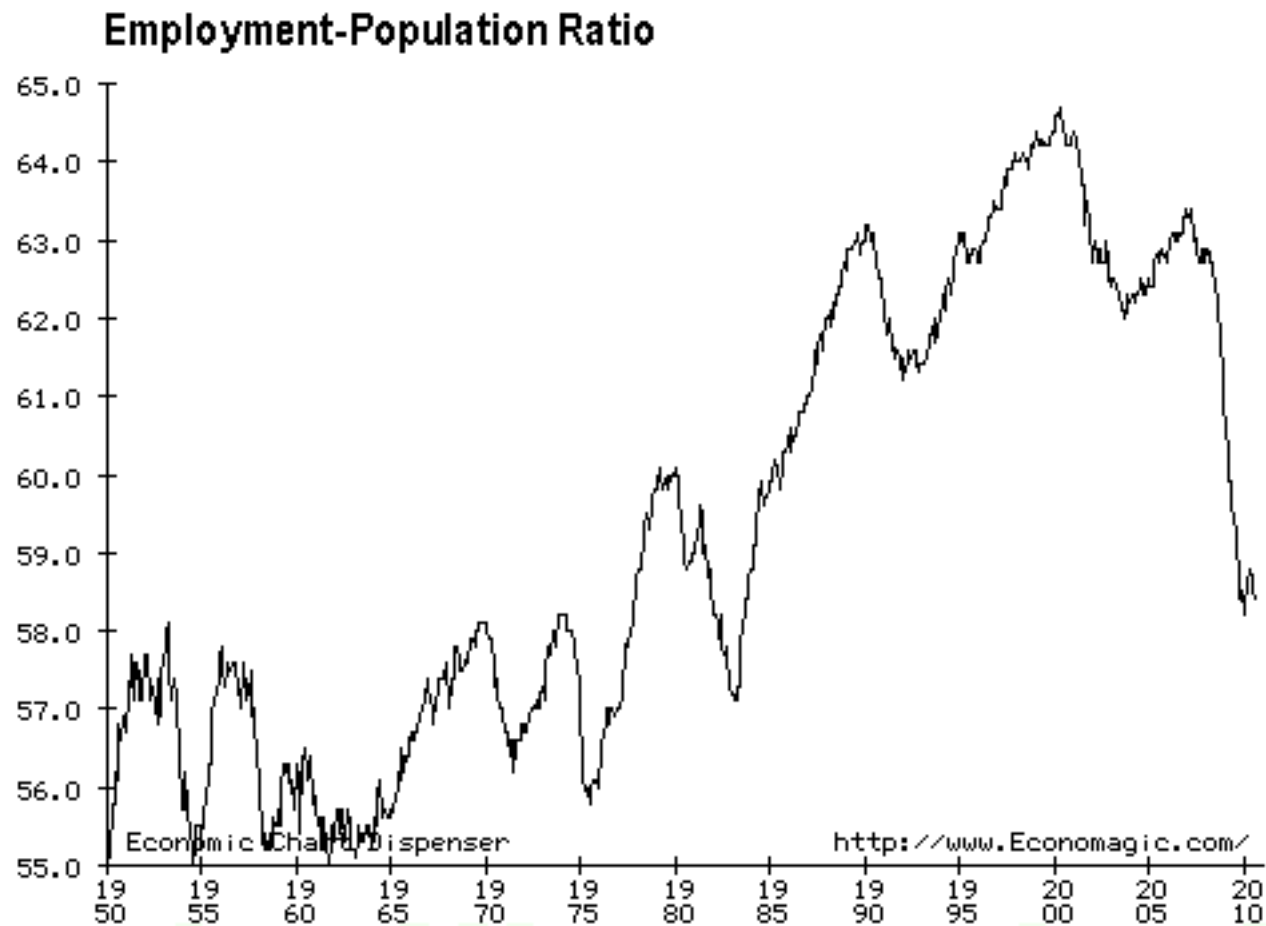
Budgets

Growth

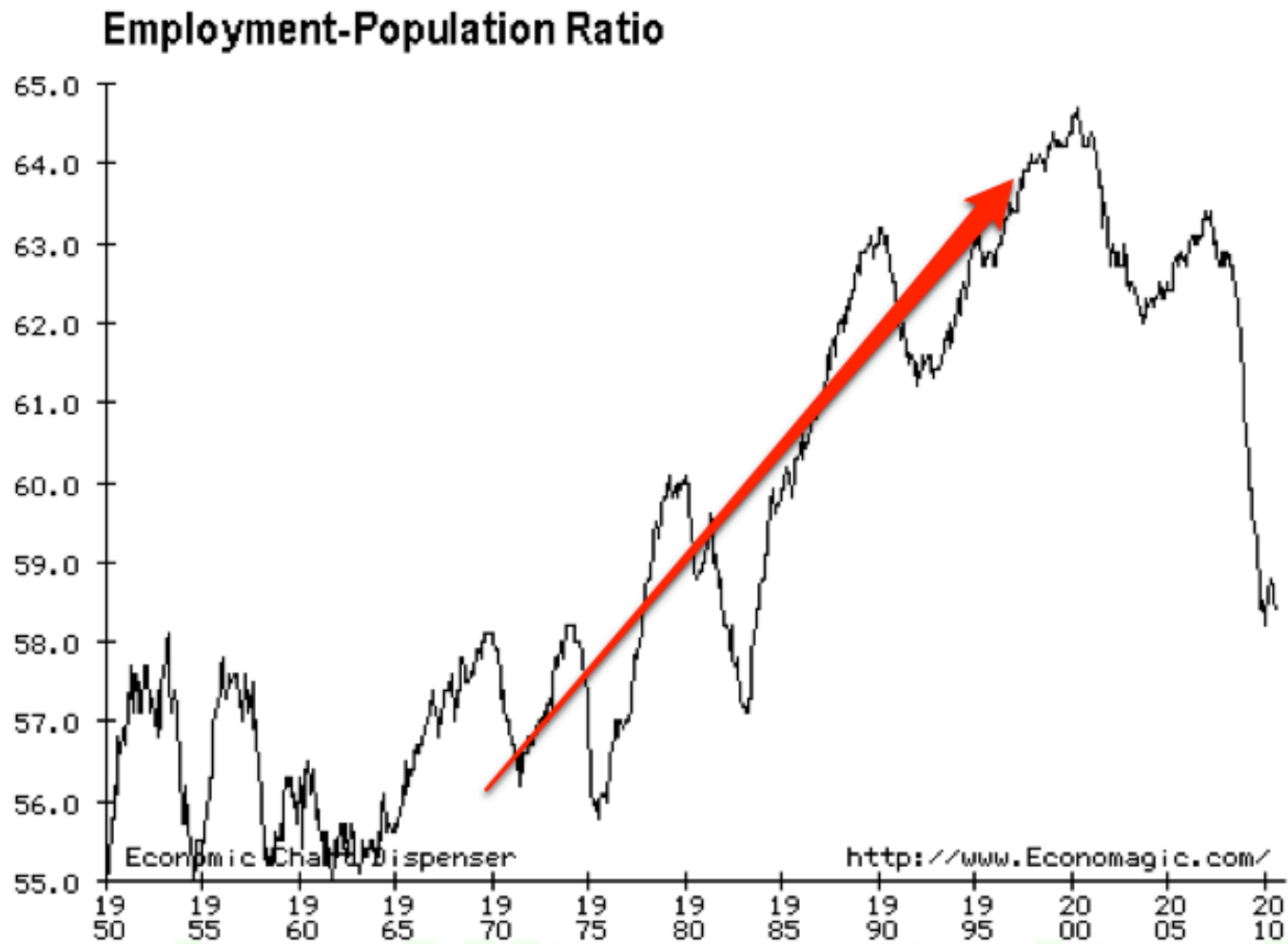
The U.S. Employment-to-Population Ratio



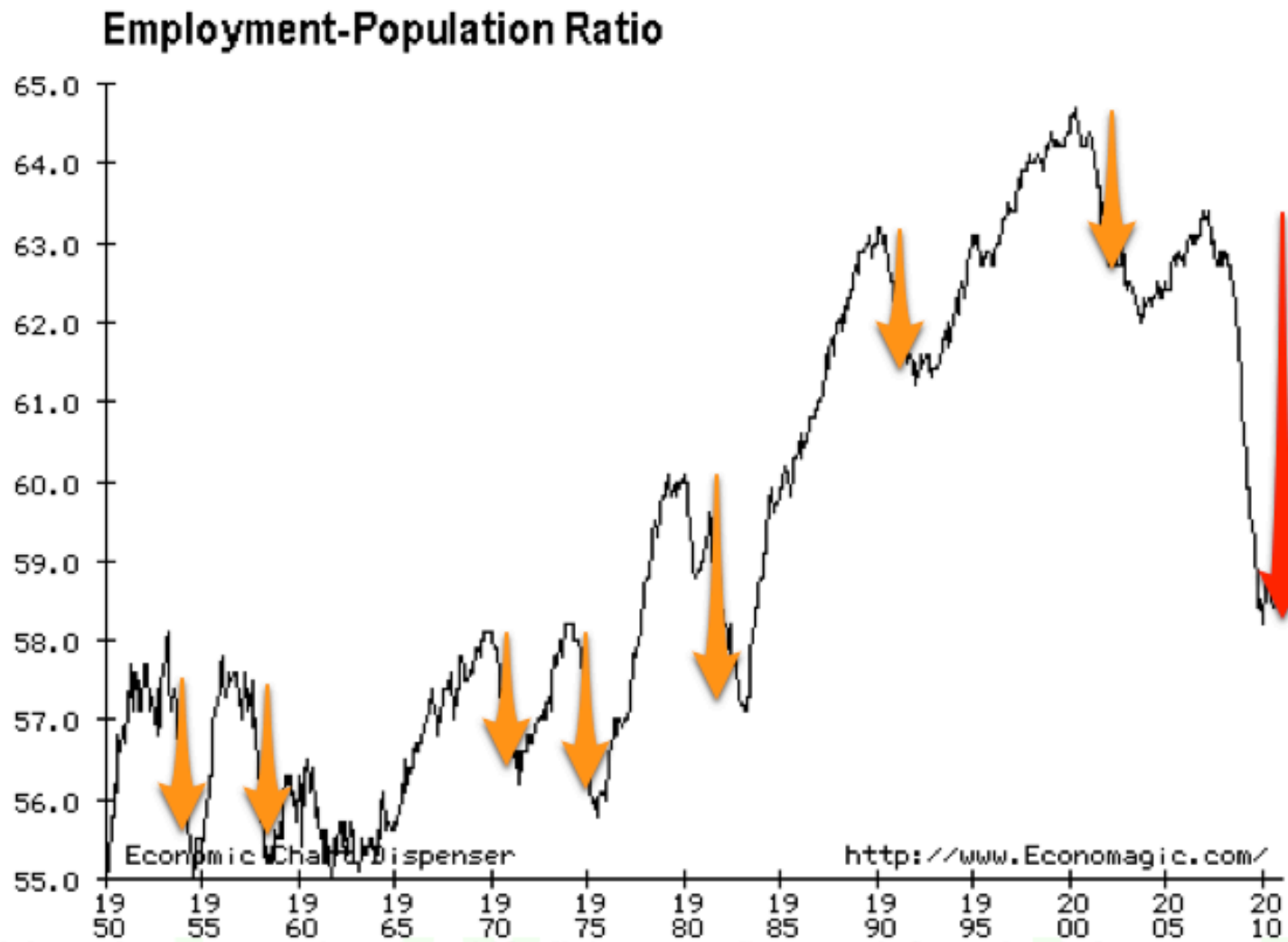
The U.S. Employment-to-Population Ratio “Deseasonalized”



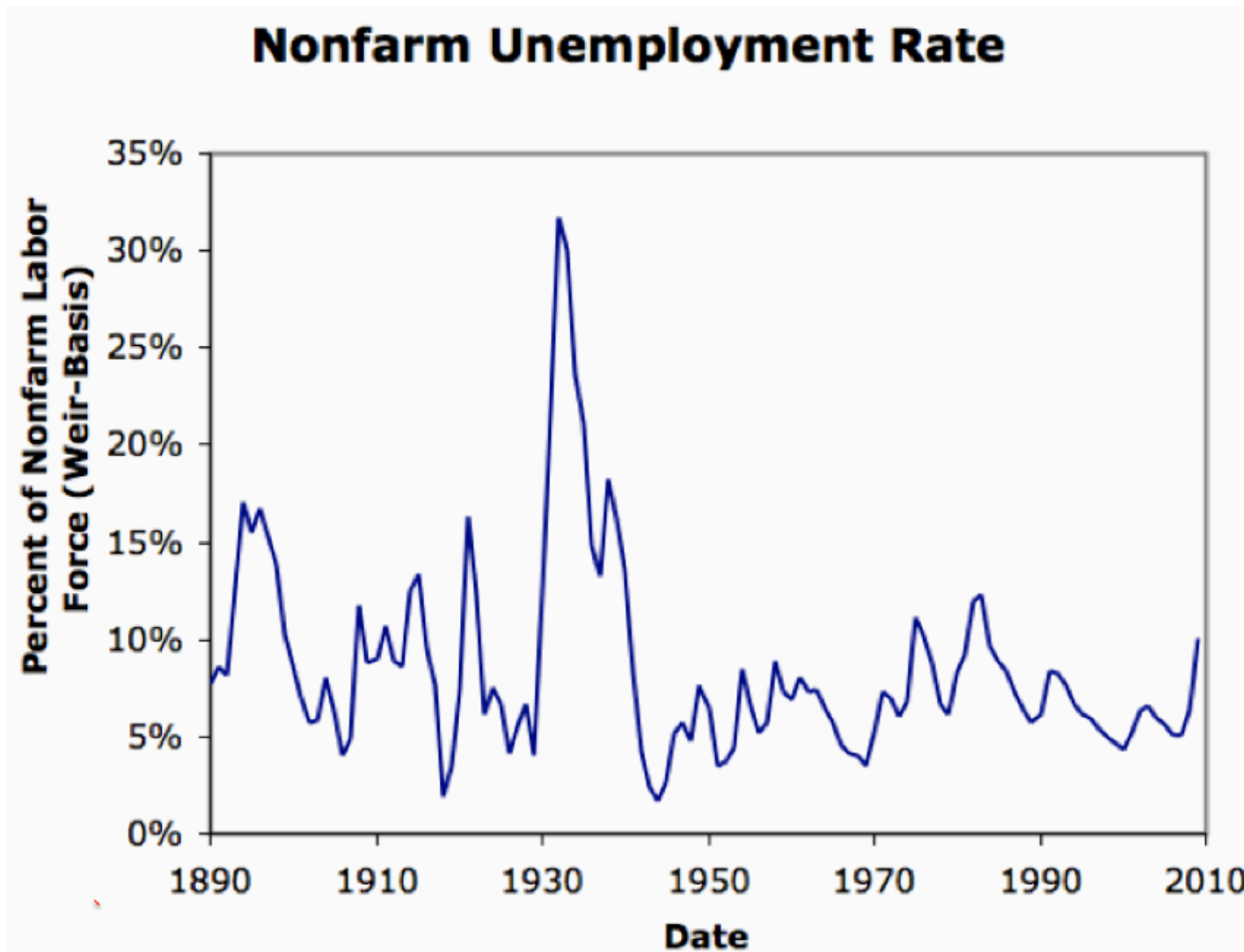
Feminism



Recessions



The Unemployment Rate in Historical Perspective



What Are the Four Parts of Macroeconomics?

- A. Depression, inflation, budget, and growth
- B. Choice, markets, market failure, and political economy
- C. Sociology, finance, psychology, and institutions
- D. Ambition, distraction, uglification, and derision
- E. Liberal, conservative, radical, and libertarian

Production in the Third Quarter of 2007 (Billions of Dollars at Annual Rates)

Gross Domestic Product:	\$14,179.9
- <u>change in inventories</u>	\$31.0
= <u>final sales of domestic product</u>	\$14,148.8
- <u>net exports</u>	- -\$698.4
= <u>final sales to domestic purchasers</u>	\$14,847.2

Gross exports	\$1,685.2
- <u>gross imports</u>	\$2,383.6
= <u>net exports</u>	-\$698.4

The Circular Flow of Economic Activity

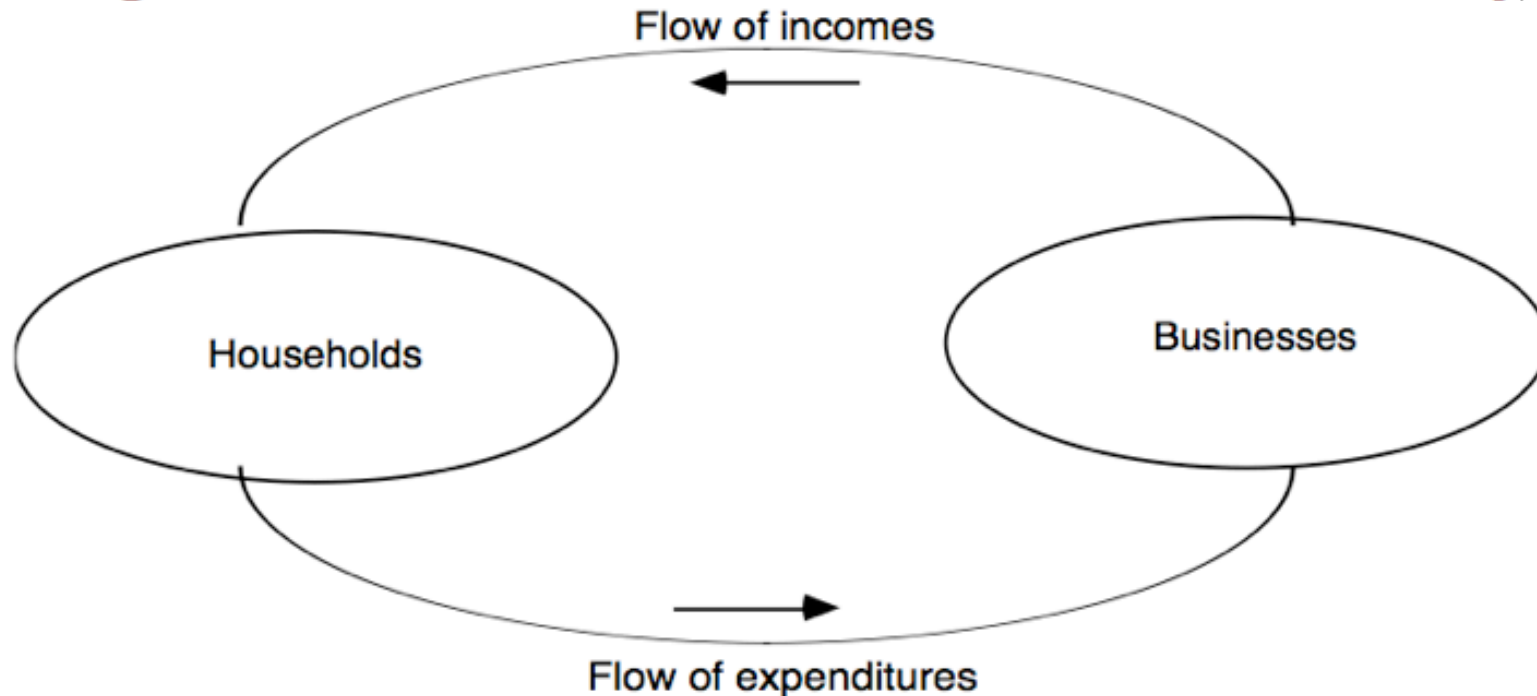
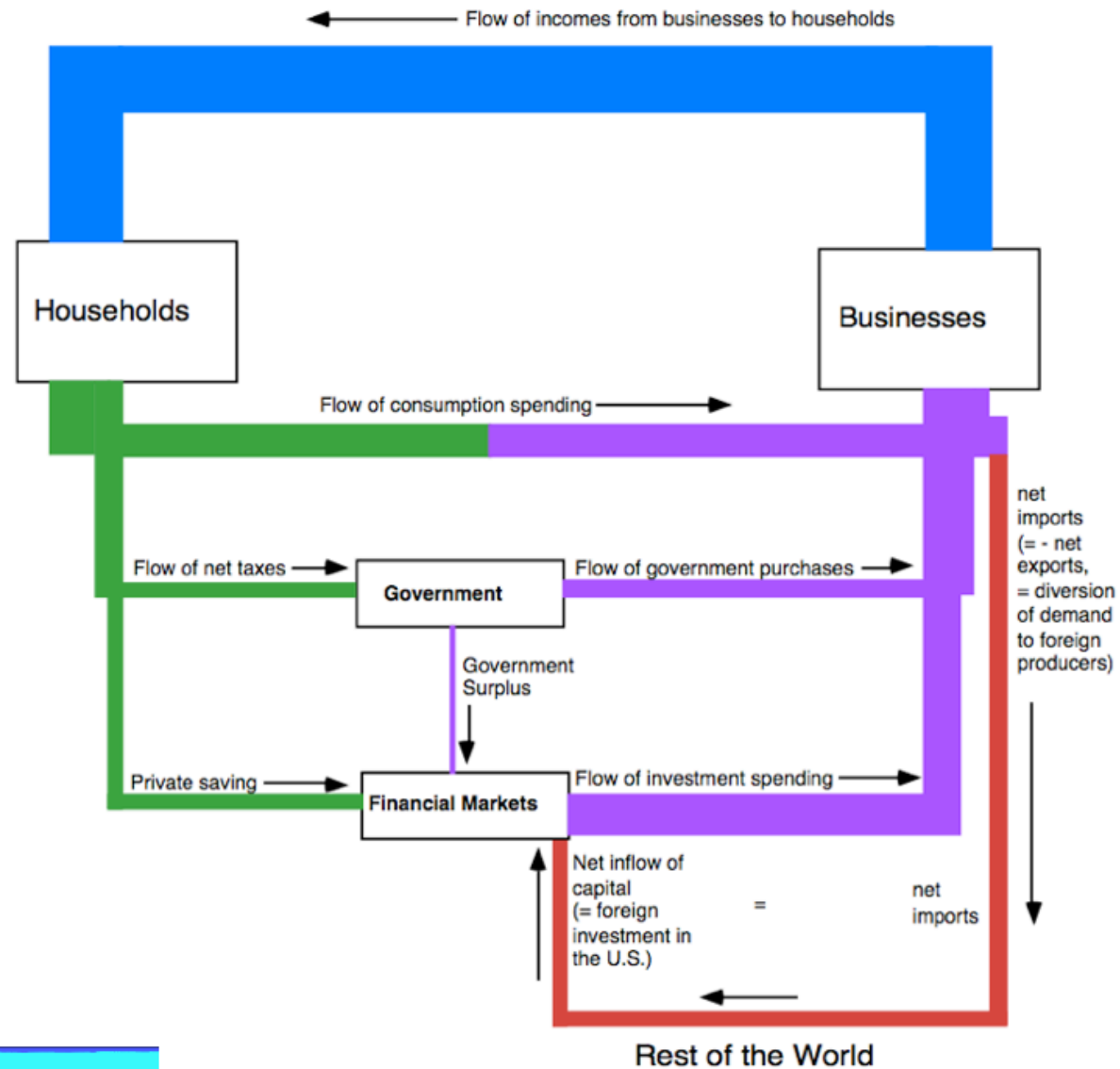
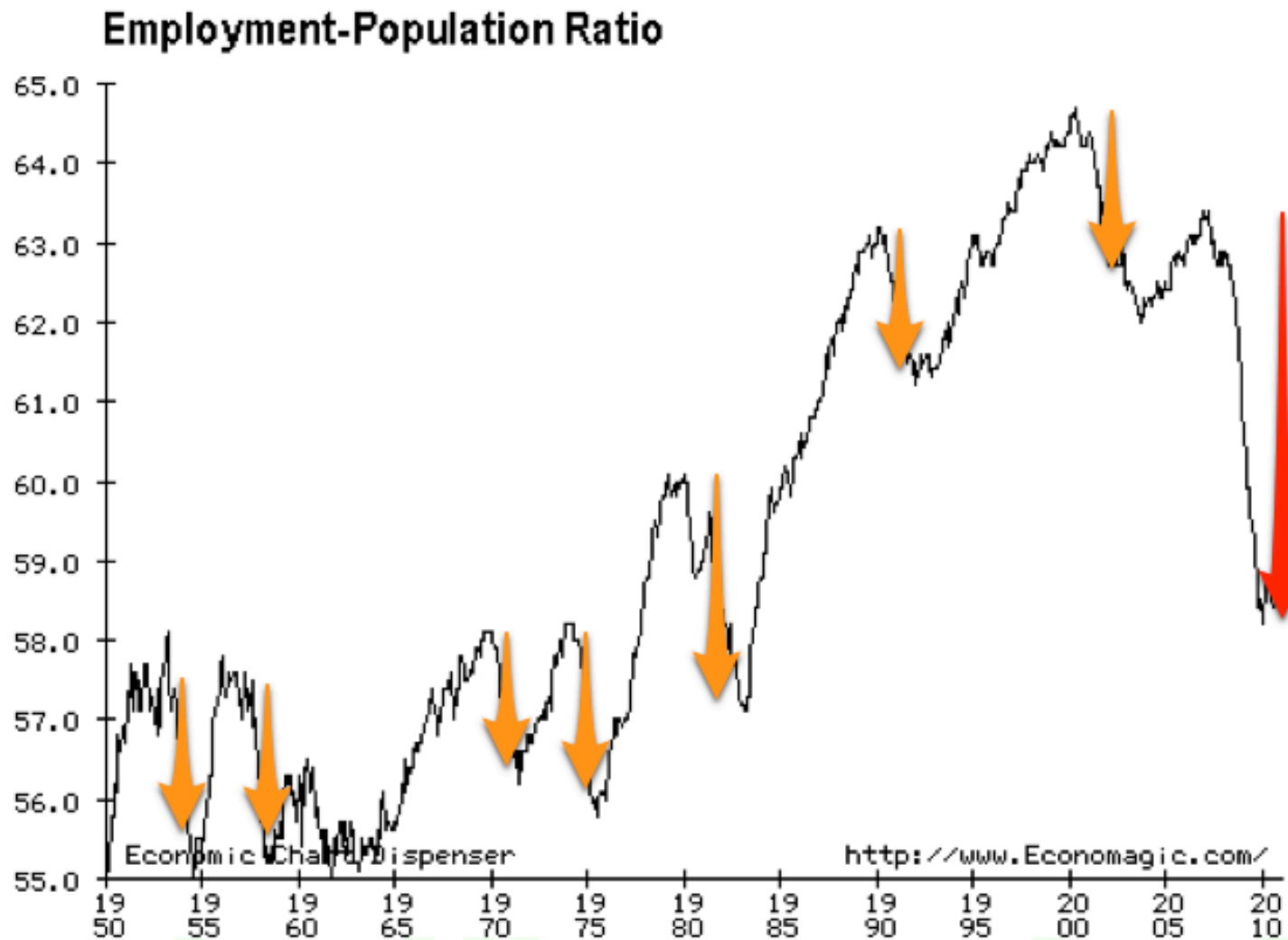


Figure Legend: A version of the *circular flow diagram*. Households spend money buying the products made by businesses, and businesses turn around and spend the same money buying *factors of production*--workers' time and attention, finance, the use of land and other property--from households.

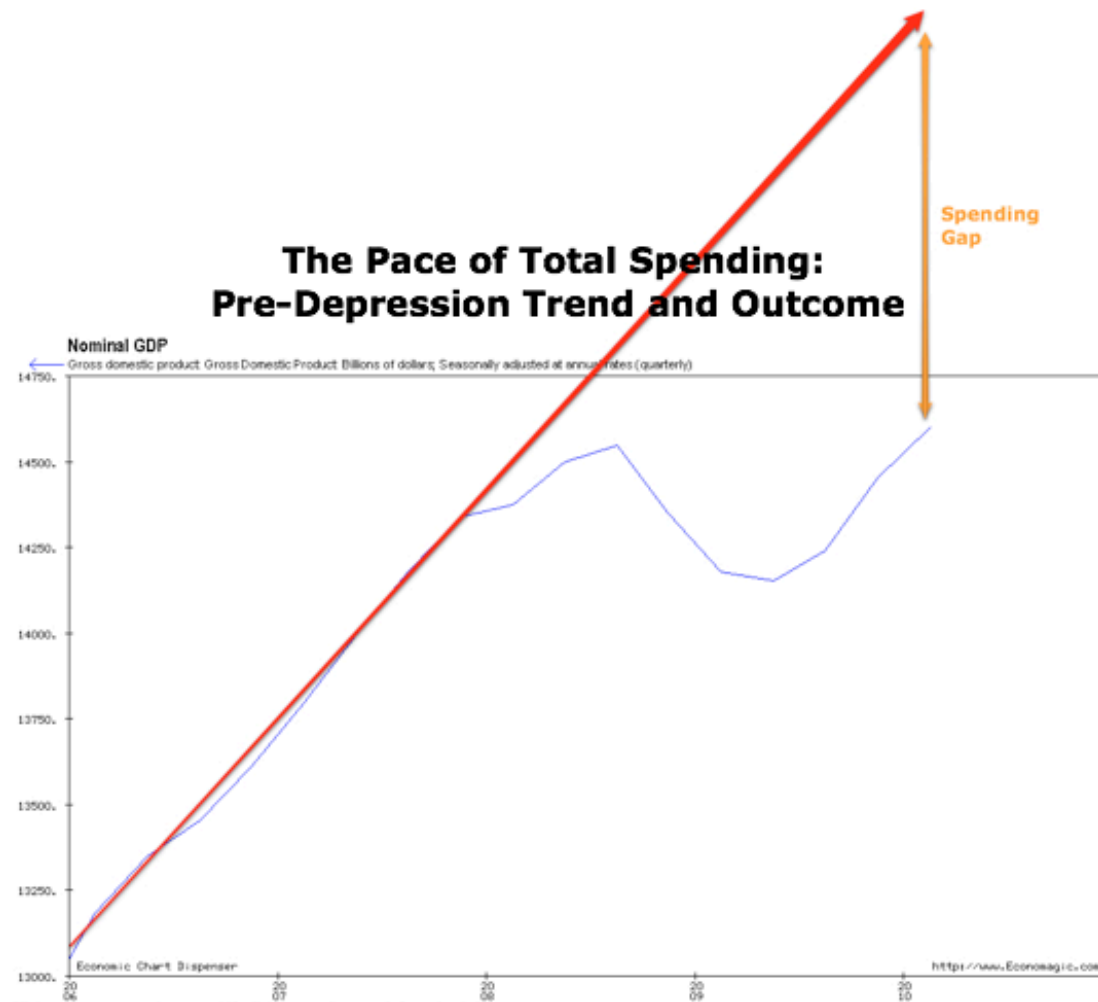
The Circular Flow II



Interruptions in the Circular Flow



Caused by Fall-Offs in the Pace of Spending



Test Your Knowledge

- What are the three major features that jump out at you when you look at the graph of the post-WWII U.S. employment-to-population ratio?
- What are the most important differences between this course and your standard American college introductory economics course?
- Why are we starting this course with macroeconomics rather than microeconomics? In fact, what is “macroeconomics” anyway?
- What are the four principal parts of macroeconomics?
- Why are the two years 2008-2009 called the “great recession”?

I'm Going to Skip the Rest of This Introduction...

- And let me send you to <http://tinyurl.com/dl20100830a> to read it...
- Next time I want to start in on depression economics proper...