Economics 1: Fall 2010

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

Economics 1: Fall 2010: Introduction


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

Microeconomics
- Choice
- Markets
- Market Failures
- Political Economy

Macroeconomics
- 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)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product</td>
<td>$14,179.9</td>
</tr>
<tr>
<td>- change in inventories</td>
<td>$31.0</td>
</tr>
<tr>
<td>= final sales of domestic product</td>
<td>$14,148.8</td>
</tr>
<tr>
<td>- net exports</td>
<td>-$698.4</td>
</tr>
<tr>
<td>= final sales to domestic purchasers</td>
<td>$14,847.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross exports</td>
<td>$1,685.2</td>
</tr>
<tr>
<td>- gross imports</td>
<td>$2,383.6</td>
</tr>
<tr>
<td>= net exports</td>
<td>-$698.4</td>
</tr>
</tbody>
</table>
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

Flow of incomes from businesses to households

Households

Flow of consumption spending

Government

Net inflow of capital (= foreign investment in the U.S.) = Net imports

Financial Markets

Flow of government purchases

Businesses

Flow of investment spending

Rest of the World
Interrupts 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...