LECTURE 1
COURSE ORGANIZATION AND KEY THEMES
January 19, 2016

I. INTRODUCTION

II. COURSE ORGANIZATION
   A. General information
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   F. Enrollment
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   B. Some important issues that show up across different lectures

V. METHODS OF ECONOMICS
   A. Observation
   B. Models
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   D. Statistical analysis
LECTURE 1
Course Organization and Key Themes

January 19, 2016
I. INTRODUCTION
No Electronics Policy

• Please turn off and put away all phones, laptops, and tablets.
Now is an important time to be studying economics.
II. COURSE ORGANIZATION
General Information about Econ 2
Readings


  • Special ISBN and price through the Cal Student Store.

• **Research articles:** Through links to the University Library.
**Lecture and Discussion Section**

- Incomplete slides will be available by noon on the day of lecture.
- Section is incredibly important.
Office Hours

• **Professors:** Wednesday, 1–3, in 683 Evans.

• **GSIs:** Your GSI will discuss in section (and office hours are posted on the website).
Assignments and Grading

• **Two Midterms:** Tuesday, February 23 and Thursday, April 7

• **Final Exam:** Friday, May 13, 7–10 p.m.

• **6 Graded Problem Sets**

• **Weights:**
  - Midterms (each worth 20%)
  - Final worth 40%
  - Problem sets worth 15%
  - Section participation worth 5%
Enrollment

• Attend your first section meeting!

• Other questions, go to:
  https://www.econ.berkeley.edu/undergrad/home/enrollment-procedures
Course Website

https://www.econ.berkeley.edu/course/economics-2
III. What Is Economics?
Definition

- Economics is the study of the interaction of individuals and institutions in the production and consumption of goods and services.
Two Branches of Economics

• **Microeconomics:** Study of particular markets.

• **Macroeconomics:** Study of the national economy as a whole.
Economics as a Way of Thinking
IV. Key Themes and Recurring Issues
Key Themes

• There are gains from specialization and trade.
• In a market economy, prices and quantities are determined by supply and demand.
• Competitive market outcomes have some desirable properties, and interfering with market forces may have undesirable consequences.
• Markets may be highly imperfect.
Key Themes (Continued)

• Economic growth is important for standards of living, but poorly understood.

• Recessions are caused by macroeconomic forces.
Some Recurring Issues We Will Discuss
Price of Crude Oil

Atmospheric CO₂ Concentration

Source: National Oceanic and Atmospheric Administration.
Interest Rates on U.S. Debt and Interbank Loans

Source: FRED, Federal Reserve Bank of St. Louis.
Share of Income Going to the Top 10% in U.S.

Source: Piketty and Saez, “Income Inequality in the United States.”
Payroll Employment in the United States

GDP per Capita over Time and Regions

Source: Bloom and Sachs, “Geography, Demography, and Economic Growth in Africa.”
V. Methods of Economic Analysis
Methods of Economic Analysis

• Observation

• Models

• Experiments and natural experiments

• Statistical analysis
Table 2
The Relationship Between Attendance and Performance

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<td>Full</td>
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Standard errors are in parentheses. The restricted sample consists of the students who completed all of the problem sets.

Source: David Romer, “Do Students Go to Class? Should They?”