

What Works in Macro Principles: Enrollment 700 or Enrollment 30

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Background

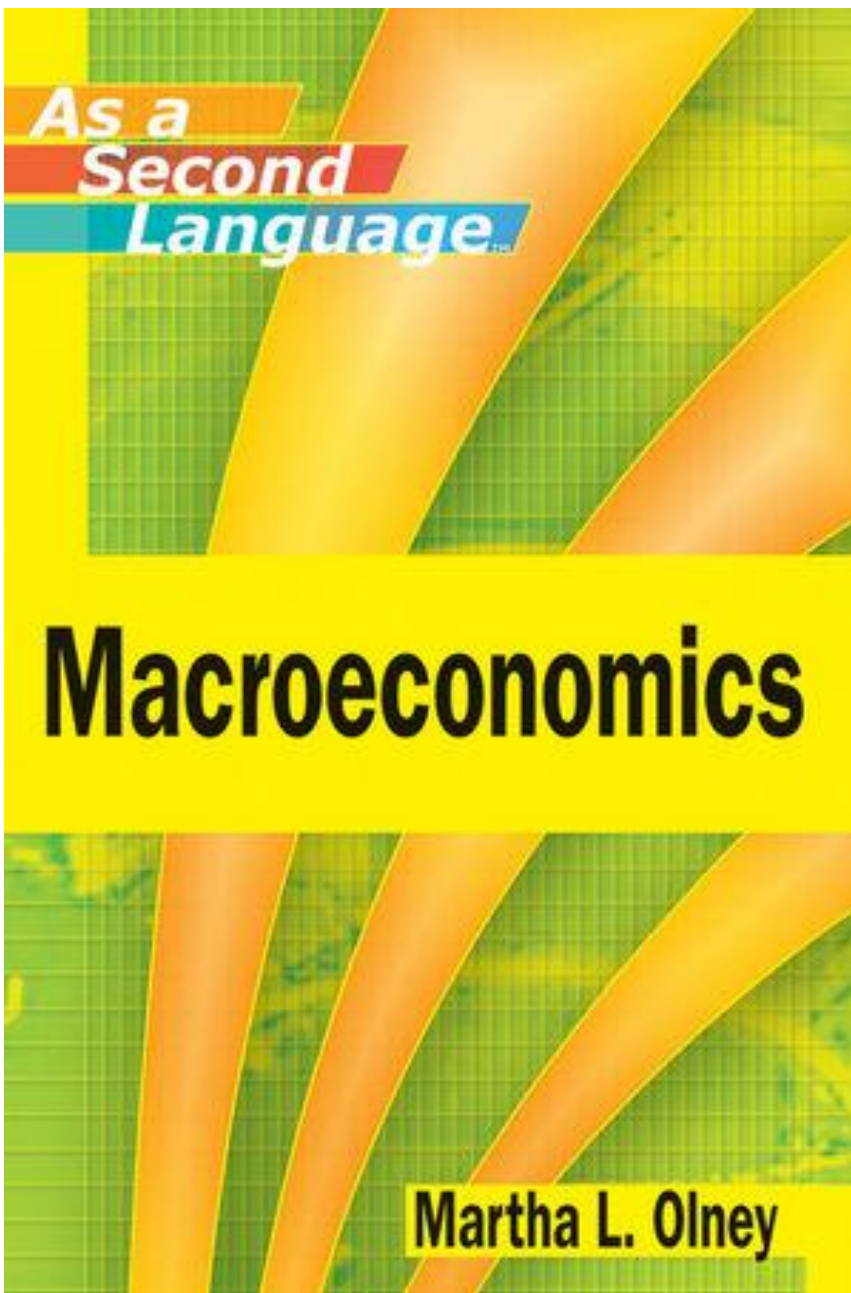
Usually

- enrollment 700
- one-semester micro & macro principles
- U.C. Berkeley
- 12 graduate TA's (from many departments)

2011-2012

- spent my leave at Siena College (liberal arts college near Albany NY)
- one-semester macro principles
- enrollment 34

Textbook



Wiley, 2011. \$39 from Wiley;
\$31.50 from Amazon

Contact



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What Didn't Work

Size doesn't matter

- Enrollment 30, I thought: "They'll ask questions if confused."
 - Nope.
- Enrollment 30, I thought: "I'll be able to read their faces and know if they're confused."
 - Nope. Many meanings to 1 face.
- Enrollment 30, I thought: "They'll naturally be engaged with the course content."
 - Nope.

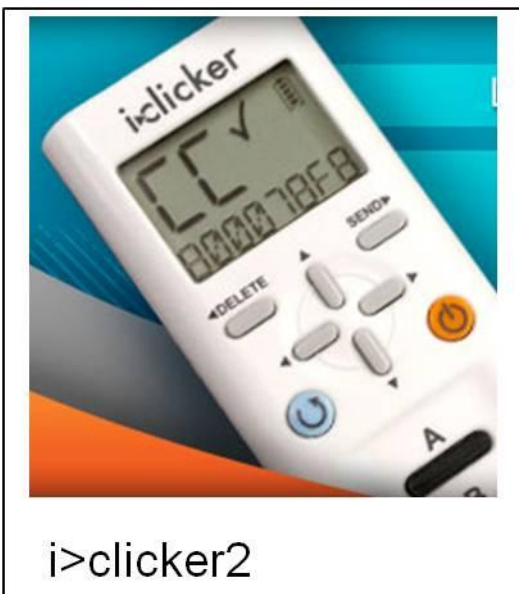
10% of 30 is 3

- When 10% of 700 people are really engaged, that's a critical mass of 70 people
 - They encourage each other
 - Feel camaraderie
 - Sit up front!
- When 10% of 30 people are really engaged, those 3 people are quiet
 - They don't want to stick out
 - Are vastly outnumbered
 - Keep it to themselves

Points matter

- I thought, "They'll do the reading because it's assigned."
 - Nope
- I thought, "They'll do the in-chapter 'Do I understand?' questions because they want to."
 - Nope
- I thought, "2 points out of 500 can't possibly change behavior."
 - Oh, yes they can

Clickers!



Even – especially – with 30 students

- Reading check
- Quick recall
- Applications
- What would you do

Aggregating

Typical confusion: "But that's not how *my family* would behave."

- With 30: activity
- With 700: clicker
- What would you do if
 - ... Income increased
 - ... Interest rates fell
 - ... Taxes were cut
- Aggregate individual answers
- Be explicit: aggregate behaves as predicted *even though some of you did not*

What Does Work

Quick Recall & Reading Check Questions

Underemployment

Question: If you are looking for a full-time job while you work part-time, are you one of the people included in the current 7.8% unemployment rate?

- A. Yes
- B. No
- C. No
- D. No
- E. I don't know

Investment Spending

Question: Investment spending ...

- A. Excludes purchases of stocks and bonds.
- B. Includes all business spending.
- C. Is done by businesses, people, and government.
- D. Is the most stable component of $C + I + G + NX$.
- E. None of the above

Applications

Where is this recorded?

Question: Where is this activity recorded on the expenditure side of U.S. GDP accounting?

Activity: You buy a plane ticket on American Airlines.

- A. C
- B. I
- C. EX
- D. IM
- E. Not recorded



Direct, Indirect, Expansionary, Contractionary.

Question: Which statement is correct?

- A. Increasing interest rates is direct & expansionary
- B. Increasing interest rates is indirect & expansionary
- C. Increasing interest rates is direct & contractionary
- D. Increasing interest rates is indirect & contractionary
- E. I don't know

Imports and Exports

Question: What happens as a result of a drop in foreign income?

- A. U.S. exports rise
- B. U.S. exports fall
- C. U.S. imports rise
- D. U.S. imports fall
- E. More than one answer is correct

Closing an Output Gap

Question: Suppose the multiplier = 5
equilibrium GDP = \$11,000 billion per year
full-employment GDP = \$12,000 billion per year
To close the output gap, the initial change in AD needs to be

- A. Increase of \$5,000 billion per year
- B. Decrease of \$5,000 billion per year
- C. Increase of \$1,000 billion per year
- D. Increase of \$200 billion per year
- E. Decrease of \$200 billion per year

Aggregating Individual Responses

Marginal Propensity to Consume: Clicker, Activity, And then...

#1A: What would you do?

Question: Suppose your paycheck goes up by \$200 a month. What would you do?

- A. Spend all \$200
- B. Spend \$100-\$150 and save or pay off debt with the rest
- C. Spend \$50-\$100 and save or pay off debt with the rest
- D. Spend \$0-\$50 and save or pay off debt with the rest
- E. Save or pay off debt with all \$200

And then (clicker): you calculate weighted average to get class mpc

Your monthly consumption spending: \$1,800

TASK: Allocate your total spending amongst these 9 categories

Category	Your \$ spending
Housing (includes rent or mortgage, remodeling)	
Food that you'll prepare & eat at home	
Eating out & travel	
Cars (including gas, insurance)	
Other durable goods	
Shopping! (Big box stores, department stores, and so on)	
Health care (includes health insurance premium)	
Education	
Bank fees, brokerage fees, lawyers fees, etc.	
Total:	\$1,800

And then (Activity): You announce change in income, students change spending, you add up total changes, calculate class mpc

Exchange Rates & Interest Rates: Clicker, Activity, And then...

Wealth Allocation

You are an American who has \$500,000 in financial wealth. Some of it is in American stocks and bonds. Some of it is in European stocks and bonds.

Question: If rates of return (interest rates!) are the same in both U.S. and Europe, how will you allocate your \$500,000?

- A. \$100,000 in U.S. stocks & bonds; \$400,000 in European stocks & bonds
- B. \$200,000 in U.S. stocks & bonds; \$300,000 in European stocks & bonds
- C. \$300,000 in U.S. stocks & bonds; \$200,000 in European stocks & bonds
- D. \$400,000 in U.S. stocks & bonds; \$100,000 in European stocks & bonds
- E. \$500,000 in U.S. stocks & bonds; \$0 in European stocks & bonds

And then (clicker): you calculate weighted average of US & foreign asset holdings, change interest rates, offer same choices, calculate new weighted average, announce change in wealth allocation

Activity

Participants

- Wealthy Europeans
- Wealthy Americans
- Swiss (European) chocolate seller (peanut butter cups!)
- U.S. chocolate seller (plain chocolate)
- American chocolate buyers

Supplies

- Sellers need chocolate
 - Swiss (European) sellers – chocolate with peanut butter
 - American sellers – plain chocolate
- Buyers start with \$
- Wealthy folk have lots and lots and lots of \$ (and as much chocolate as they want)

Round #1

US Chocolate costs \$1.50
Swiss chocolate costs €1
Exchange rate:
€1 costs \$1.50

Prof. Olney: runs the market where currency is traded

And then (Activity): You announce change in U.S. interest rates, ask wealthy ones how they will shift wealth, **show effect on XR**, announce new XR, sell more chocolate. (Students love chocolate!)