

PROLOGUE

By now you already know that the Reed economics curriculum is quite different than the standard undergraduate program. Instead of having a traditional introductory economics sequence, we start you off in “intermediate” microeconomics with a smattering of macroeconomics, all in one semester.

The intermediate-level macroeconomics you learn in a standard undergraduate course such as Econ 304 gives you a basic functional description of how macroeconomic variables tend to be related to one another. However, it usually does not explain the theoretical models that lead economists to think that these relationships hold. Econ 314 explores the underlying theories and their connections to micro concepts such as utility and profit maximization, perfect and imperfect competition, and interactions of agents with imperfect information.

The more advanced analysis that is required to understand these theories involves much more sophisticated mathematics than most colleges are willing to expect their undergraduate students to understand. For that reason, it is usually not until graduate courses that students learn to model the macroeconomy with the tools that economists now use in their professional discourse.

However, the thesis process requires Reed economics majors to be able to read journal articles describing current research. Thus, Reedies must achieve a level of understanding of microeconomic and macroeconomic theory approaching that of graduate students. Econ 313 (on the micro side) and 314 are intended to provide that background. Both are stiff challenges for undergraduates, but students putting in the intense effort required to master the course materials are repaid richly in terms of their understanding of modern economics and the increased accessibility of published research.

The content and level of Econ 314 compare closely to the first quarter or semester of the macroeconomics sequence in an economics M.A. or Ph.D. program. However, we place less emphasis on the mathematics and more on the economic intuition and we expect less prior training in mathematics than most graduate programs require. To the extent that the course aims “above your level,” this coursebook tries to provide a toolkit to help you “reach the items on the high shelves.” At times the coursebook will be a “stool” adding to your mathematical skills to allow you reach higher. At other times, it will “move the item to a lower shelf” by giving an alternative explanation of a difficult concept using less sophisticated mathematical terms.