

## Principles of Macroeconomics

Instructor:	Jacob LaRiviere	
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Office:	Sequoyah Hall 208	
Office Hours:	Wednesday 1-2:30pm	
Course Time:	MWF, 12:00pm-12:50pm	
Course Location:	Center Hall 115	
Course Duration:	Sept. 26 <sup>th</sup> - Dec. 11 <sup>th</sup>	
Final Exam:	Thursday, Dec. 11 <sup>th</sup> , 10:30am-2:29pm	
TAs:	Heea Jung	hej001@ucsd.edu
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Sections:	Friday 8:00am- 8:50am	Petersen Hall 104
	Friday 9:00am- 9:50am	Petersen Hall 104
	Wed. 2:00pm- 3:50pm	WLH 2204

Website: [http://www.econ.ucsd.edu/~jlarivie/teaching/Macro\\_UCSD/](http://www.econ.ucsd.edu/~jlarivie/teaching/Macro_UCSD/)

### Course Objective

This course is designed to introduce students to concepts that are the basis for understanding macroeconomics- the study of the economy as a whole. As economics is a social science, students are asked to first learn basic concepts, learn assumptions and understand the theories that follow. All topics will be covered first theoretically then specific applications will be considered. By the end of the course, students will be prepared to apply the concepts covered to better analyze the macro economy in addition to understanding why the topics covered in the course are relevant.

### Course Requirements & Grading

Homework	20%
Midterm Exam (mid/late October)	35%
Final Exam	45%
Class Participation	5% (+/-)

Homework assignments will have two main themes. The first will be to have students practice the mechanics of the concepts covered in class. The goal of this theme is to cement the comprehension of the material. The second theme of the homework

assignments will be to foster creativity in thinking about the material. They will be grades on a full credit/partial credit/zero credit scale (e.g.: 100%, 50%, and 0%).

Exams will be of standard format: T/F, multiple choice, short answer, graphs, essays, etc... Class attendance, homework completion, and a thorough review of one's notes and homework assignments should adequately prepare a student for the exams. Note that there will be material on exams that is not covered in the book. **IMPORTANT:** If you will miss a midterm for a verifiable medical/legal/sports reason, notify me immediately to set up a make-up exam. Failure to notify me promptly that you must miss an exam will result in a zero grade for that exam. Unexcused absences for an exam will also result in a zero.

Appropriate class participation is strongly encouraged. I will reserve the right to raise or lower grades by 5% based upon exceptional or unacceptable interaction in classroom, email, or office settings.

The grading for this course will be curved. Do not be alarmed if the highest grade on a midterm is 80%; that 80% will earn an A and grades will be assigned from there.

**ADVICE:** I strongly advise class attendance and participation. You will find that in economics, a deep understanding of key concepts facilitates high grades. Deep understanding of concepts is most easily attained with class attendance and participation. Coming to class and not paying attention is virtually worthless; if for whatever reason you aren't able to attend class with proper focus on a particular day, I encourage you to take the day off, get notes from a classmate and come ready to go the following class.

### Academic Dishonesty

If you are found guilty of cheating in the class, you will receive an F. There are also penalties at the university level. It is not worth it. Don't do it. I have caught multiple people in the past and they have suffered nasty consequences.

### Textbook & Readings

Frank, Robert H. and Bernanke, Ben S. *Principles of Economics: 4<sup>th</sup> Edition*, UCSD Edition, McGraw Hill; 2009.

This book is a very precise and clear first text with expositions designed to fortify key concepts. It is available for \$93 at the UCSD bookstore and is a special edition for UCSD with an extra appendix used in Econ 1 and 2. We won't follow this book's layout exactly; as such, it is important to remember that the textbook is a supplement and not a substitute for lecture.

There will be additional readings and articles from sources like *The Economist* and *The NY Times* posted on the course website and discussed in class. Additionally, you are

encouraged to find your own articles that you think are relevant to the course and I will try to post them and/or cover them in the course. *The Financial Times*, *The Wall Street Journal*, *The Investor's Business Daily*, *Barron's*, *The Economist* and *The New York Times* are widely considered to be among the best periodicals covering economics-though not necessarily in that order.

## Course Outline

*NOTE: This outline is subject to change at the discretion of the instructor.*

Week 1 (Sept. 26<sup>th</sup>, Sept. 29-Oct. 3<sup>rd</sup>):

- a. Introductions, administrative issues, course content and relevance.
- b. What are the big macroeconomic questions?
- c. Brief history of macroeconomic thought
- d. Key economics concepts
- e. Money and prices (Ch. 17)
- f. Real vs. Nominal prices (Ch. 17)
- g. Long Run vs. Short Run
- h. Calculating Inflation Metrics (Ch. 17)
- i. Real vs. Nominal Interest Rates (Ch. 17)

Week 2 (Oct. 6<sup>th</sup>-Oct.10)

- a. Measuring economic activity: GDP (Ch. 16)
- b. Components of GDP (Ch. 16)
- c. Good and bad aspects of GDP (Ch. 16)
- d. Changes in GDP: growth and recession (Ch. 16)
- e. National/Regional/State economic activity
- f. HW 1 handed out

Week 3 (Oct. 13<sup>th</sup>-Oct. 17))

- a. Unemployment: definition and relevant statistics (Ch. 18)
- b. Types of unemployment (Ch. 18)
- c. Big trends in the labor market (Ch. 18)
- d. A model of the labor market (Ch. 18)
- e. Smaller trends in the labor market (Ch. 18)
- f. Full employment: impediments and analysis (Ch. 18)
- g. HW 1 due

Week 4 (Oct. 20<sup>th</sup>-Oct.24th)

- a. Increases in GDP: economic growth (Ch. 19)
- b. Components of growth (Ch. 19)
- c. Determinants of growth (Ch. 19)
- d. Public goods and growth
- e. Savings and growth (Ch. 20)
- f. Why save? (Ch. 20)
- g. HW 2 handed out

Week 5 (Oct. 27<sup>th</sup>-Oct. 31<sup>st</sup>)

- a. Components of national savings (Ch. 20)
- b. Interest rates and demand for liquidity
- c. National Savings (Ch. 20)
- d. Intro to modern finance (Ch. 21)
- e. Reserve requirements and multipliers (Ch. 21)
- f. Central banks (Ch. 21)
- g. Velocity theory of money (Ch. 21)
- h. HW 2 due

Week 6 (Nov. 3<sup>rd</sup>-Nov. 7<sup>th</sup>)

- a. Midterm Exam (Nov. 5<sup>th</sup>)
- b. Defining a recession
- c. Potential Output and underperformance (Ch. 22)
- d. Causes of underperformance (Ch. 22)
- e. Introduction To Keynesian macroeconomics (Ch. 23)
- f. Aggregate expenditures: planned vs. actual (Ch. 23)
- g. Short run equilibrium (Ch. 23)

Week 7 (Nov. 10<sup>th</sup>-Nov. 14<sup>th</sup>)

- a. Government Spending (Ch. 23)
- b. Benefits and costs of government spending (Ch. 23)
- c. History of the Fed. (Ch. 24)
- d. Purposes and policy of the Fed. (Ch. 24)
- e. Ben Bernanke's Fed Chairmanship
- f. A model of the money market (Ch. 24)
- g. HW 3 handed out

Week 8 (Nov. 17<sup>th</sup>-Nov. 21<sup>st</sup>)

- a. Aggregate demand and inflation (Ch. 25)
- b. Aggregate supply and inflation (Ch. 25)
- c. Long Run aggregate supply (Ch. 25)
- d. Intro to an integrated aggregate model (Ch. 25/26)
- e. Causes of inflation (Ch. 25)
- f. HW 3 due

Week 9 (Nov. 24<sup>th</sup> – Nov. 26<sup>th</sup> (no class Friday Nov. 28<sup>th</sup> due to Thanksgiving)

- a. Macroeconomic policy goals (Ch. 26)
- b. Inflation Goals (Ch. 26)
- c. Accommodating policies (Ch. 26)
- d. Controlling Expectations (Ch. 26)
- e. Fiscal Policy (Ch. 26)
- f. Introduction to Nominal Exchange Rates (Ch. 27)
- g. HW 4 handed out

Week 10 (Dec. 1<sup>st</sup>- Dec.5<sup>th</sup>)

- a. Exchange rate regimes (Ch. 27)
- b. Interest parity condition
- c. Fixing the exchange rate (Ch. 27)
- d. Comparative advantage (Ch. 28)
- e. The case for trade (Ch. 28)
- f. Restrictions of free trade (Ch. 28)
- g. HW 4 due

Week 11 (Dec. 11th)

- a. Final Exam