

DEPARTMENT OF ECONOMICS

ECON 110A: INTERMEDIATE MACROECONOMIC THEORY I LOCATION: SOLIS 107 TIME: MONDAYS & WEDNESDAYS, 6:30PM-7:50PM

FALL QUARTER 2014 SYLLABUS

Instructor: Steven B. Levkoff, Ph.D.

E-mail: slevkoff@ucsd.edu
Twitter: @stevelevkoff

Instructor Webpage: http://stevelevkoff.com

Course Webpage: http://ted.ucsd.edu
Office: Economics Building, Room 111

Office Hours: Mondays, 3:50pm-4:50pm, open door, or by appointment

Course Description: This course is the first part of the intermediate macroeconomic theory sequence and will build on ideas developed in ECON 3. Topics include measurement of national income and the cost of living, determinants of long run economic growth, unemployment, inflation, monetary policy, and microfoundations of macroeconomic modeling.

Prerequisites: In order to be enrolled in this course, you should have satisfactorily completed ECON 01 and 03. Also, you should have taken some course in multivariate calculus or optimization (MATH 10C, MATH 20C, or MATH 21C) and be comfortable with basic integration and differentiation. Supplemental review materials for the mathematics required will be provided on TED and in the readings below if necessary.

Honors Section: I encourage students who earned mostly As in calculus and in the principles sequence to take the honors section, 110AH. 110AH is only offered fall quarter. It is a one-unit class that you take concurrently with this course or you can wait until next fall. 110AH is an opportunity to learn the 110A material in more depth with a faculty member. Honors sections typically include lectures on additional 110A material and/or involve reading and discussing academic research papers. You will get the opportunity to work on skills that are difficult to offer in large classes such as writing and presenting your work. Since honors sections are capped at 20 students, the instructor of the honors section will get to know you and be able to write a more well-informed letter of recommendation.

Readings:

Required:

- [1] Jones, Charles I. (2014). *Macroeconomics*, 3rd edition (2nd edition is fine, but some chapters are slightly different), W.W. Norton and Co. There is a custom paperback edition of this textbook at the UCSD bookstore for \$84.00 that has a different cover, but is otherwise identical to the textbook.
- [2] Supplemental materials to be posted to TED

Recommended:

• [3] Piketty, Thomas (2014). Capital in the Twenty First Century. I highly recommend reading this book. It is a contemporary treatment of modern growth theory in lay person terms and one of the most comprehensive historical accounts of worldwide economic growth.

Discussion Sections:

Section A01: CSB 001 / Tuesdays 7:00pm-7:50pm Teaching Assistants: Wenbin Wu (wew045@ucsd.edu)

Section A02: CSB 001 / Tuesdays 8:00pm-8:50pm

Teaching Assistants: Michael Sharifi (asharifi@ucsd.edu)

Additional TA: TBD

Homework: While not a formal part of the course grade, problem sets will play a crucial role in developing your problem solving skills and should be taken *very seriously*. In the past, it has often been the case (and is no secret if you look at my course evaluations online) that students putting the most effort into the problem sets tend to perform best on the exams because *the problem sets tend to be much more difficult than exams*. Problem sets will be assigned regularly via TED. You are encouraged to work together to solve problem sets, discuss them in the TED discussion forum, and to email the TAs any questions you may have.

TED Access (course webpage): It is your responsibility to make sure you are enrolled in the online course (TED) and to routinely check it and your email for announcements and to access newly distributed material. You can email iwbc.edu to get TED access for the course if you have added late. CC the instructor of the course (slevkoff@ucsd.edu) in the email to expedite approval.

Examinations: There will be two midterms and a final examination. The registrar has scheduled the final exam for Monday, 12/15/14, from 7-10pm (location TBD). You can view the official final exam schedule at the bookstore's website: https://act.ucsd.edu/scheduleOfClasses/scheduleOfClassesStudent.htm. Please monitor this routinely for any schedule changes. All exams are cumulative (but not necessarily uniformly so).

| Grading: | Midterm Exam 1 | 25% |
|-----------------|----------------|------|
| | Midterm Exam 2 | 35% |
| | Final Exam | 40% |
| | Total | 100% |

The course is graded on a relative curve (as is any college course). In particular, students will all be ranked from highest to lowest course score according to your final course grade calculated from the raw exam score weighting above. Letter grade assignments will depend on your percentile ranking in the class and a subjective assessment by the instructor in borderline cases (say, if there was marked improvement).

In the past, a student could typically guarantee themselves an A by ranking in the top 25% of students in the course and a B by ranking in the top 60%.

Some students feel that the grading scheme is risky in the sense that you have only 3 opportunities to prove yourself, so I will add the following "buffer" because I understand that sometimes people may have a bad midterm exam sitting: Since the final exam is cumulative, if you score a solid A on the final exam, (and ONLY a solid A), I will give you an A in the course and disregard your midterm grades (provided you've taken ALL of the midterms). I reserve the right to revoke this policy at any time for any reason.

Midterm Exam Re-grade Policy: It should be known that there may be some questions on the exams that have no right or wrong answer, so how credit is awarded depends crucially on *how* you defended your answer. Accordingly, there is a *BIG* difference between an answer being a *technically correct answer* and an answer being *the best answer*. In these cases, credit is awarded (according to the grading rubric) for how close your answer comes to being the *best answer*. That is, an answer, while being technically correct, may not necessarily have been the best answer and hence, wouldn't necessarily receive full credit despite technical correctness.

After your exams are graded, your TA's will allow you *to see* your exam in either discussion or their office hours. If you find that there was a minor grading issue (ie: points were <u>added up</u> incorrectly), let us know and we will remunerate accordingly. If there is a major issue (ie: you don't think points were <u>awarded</u> correctly according to the grading rubric), DO NOT remove the exam from the TA's possession – leave it with your TA with a note on the front cover regarding the specifics of the re-grade request.

If your request for a re-grade is granted, the ENTIRE exam will be regarded (not just the part in question) and this could possibly result in higher OR lower scores. *Once you take the exam from the TA's possession, it can no longer qualify for a re-grade.* You have one week from the announcement of the grade distribution to resolve grading issues. Otherwise, grades are NON-NEGOTIABLE and any requests that are determined to be *excessive* in scope may warrant further point deductions unless sound arguments are used to justify the request. The instructor and TAs reserve the right to refuse any request believed to be *excessive*.

Absences & Attendance: Any exam or quiz missed for a *legitimate*, *university approved* reason may be made up at the discretion of the instructor (this may include an oral evaluation as an alternative to taking a written exam or a re-weighting of the exams in the

grade calculation shown above). You will receive a zero on any exam or quiz missed without a legitimate reason.

Supplemental Material & Slides: Throughout the course, the instructor may post supplemental readings and slides via TED. These materials are meant to be used in addition to the lecture and are not to be used as a substitute for going to lecture or reading the textbook. The instructor reserves the right to remove access to this material if he feels that it has adversely affected attendance in the lecture.

Classroom Decorum & Email: To avoid distracting others in the classroom, please arrive on time and do not leave early unless given prior permission. When class is in session, please respect others in the room and refrain from sending or receiving phone calls, pages, or text messages. Please be sure audible signals are turned off before class begins. Please restrict the use of email to the minimally necessary volume and put your full name at the end of email messages and the course name and number in the subject heading. Email questions regarding how to do a particular homework problem should be first directed to your TAs. If you can't make it to office hours, you can also email specific homework questions to one of the TAs who will respond to your query. Questions regarding course policies will be directed to the syllabus (if applicable). All other general questions are welcome!

Statement of Academic Integrity: Integrity of scholarship is essential for an academic community. The University expects that both faculty and students will honor this principle and in so doing protect the validity of University intellectual work. For students, this means that all academic work will be done by the individual to whom it is assigned, without unauthorized aid of any kind.

Examination Policies: Consistent with the University's mission to preserve academic integrity, there are several policies and procedures that must be adhered to by students during exams.

- 1) In order to be allowed into the exam, students must have:
 - A BLUE or BLACK PEN (NO PENCILS!!! If you use pencil, you forfeit your chance for a re-grade.)
 - A BASIC or SCIENTIFIC calculator (no graphing calculators, cell phones, or other mobile devices unless given prior approval by the instructor)
 - Your UCSD student ID
- 2) During the exam, the following policies will be enforced:
 - Your seat will be randomized for each exam. When you enter the lecture on exam day, find your name and assigned seat number on the projector and quickly and quietly sit. Once everyone is seated, the exam will be handed out.
 - NO BATHROOM BREAKS (for exams <1.5 hours). Be sure to use the restrooms before the exam begins. Exams are less than an hour and a half long! You can make it!!! For longer exams, bathroom breaks will only be allowed during the first ½ of the exam duration.

- No hats, hoodies, or sunglasses during the exam.
- Turn cell phones off during the exam and leave them in your bag.
- 3) Violations of academic integrity will not be tolerated. For this course in particular, violations include, but are not limited to <u>anything that may be perceived as the following actions</u>:
 - looking at or copying from other students' exams
 - talking during an exam while exams are still out
 - looking at notes during an exam
 - taking the wrong version of an exam
 - removing an exam from the examination room
 - removing pages from an exam
 - falsifying identification or an exam book during or after the exam
 - sitting in the wrong seat during an exam (if applicable)
 - using an unapproved device/item during an exam (ie: programmable calculator, cell phone, etc. see above list)

<u>Violation (or perceived violation) of any of the abovementioned policies will be enforced via zero tolerance and referred to the student conduct process, so don't do anything that would even come close to something that an observer would potentially interpret as academic dishonesty. NO EXCEPTIONS.</u>

Tentative Schedule of Topics (Subject to Change):

| Week Of | Monday | Wednesday | Discussion | Special | Readings |
|------------|--|---|---------------|---------|----------|
| 10/6 | Intro / Syllabus / Intro to Macro Theory/ Important Issues in Macroeconomics / Macro vs. Micro foundations and Aggregation | National Income Accounting / Components of GDP, GDP vs. GNP / Measuring the Cost of Living / Consumer Price Index / GDP Deflator | No Discussion | | [1]: 1-2 |
| 10/13 | Production, Technology, and The Distribution of National Income / The Cobb-Douglas Case / A Closed Economy Macroeconomic Model | The Goods Market Equilibrium / The Loanable Funds Market / Savings, Investment, and the Real Interest Rate / Budget Deficits & Debt | PS1 | | [1]: 4 |

| 10/20 | Percentages, Growth Rates, Discrete-time Deterministic Growth / Continuous-time Deterministic growth / Review of Natural log properties, log differences | Relationship between aggregate and per capita variables / growth of per capita variables when aggregate variables grow at different rates / stylized facts about long run growth | PS2 | TA Review Session Friday Evening | [1]: 3-4 |
|-------|--|--|-----|--|----------|
| 10/27 | Midterm Exam #1 | The Solow Growth Model Part I: Capital Accumulation, Depreciation, and the Steady State | | | [1]: 5 |
| 11/3 | Solow Growth Model Part II: The "Golden Rule" Steady State / Transitional Dynamics / Incorporating Population Growth | Solow Growth Model Part III: Incorporating Technological Progress / Exogenous vs. Endogenous Growth | PS3 | | [1]: 5-6 |
| 11/10 | Romer's Model / Policies to promote growth / Philosophical discussion: On Malthus, Ricardo, Marx, Kremer, and Piketty | Unemployment and the Labor Market / Measuring Unemployment / Composition of Unemployment and Labor Force / Macroeconomic Data | PS4 | | [1]: 6-7 |
| 11/17 | Structural Unemployment, Frictional Unemployment, and a Steady State Model of Job Search | Money and Inflation Part I: Introduction to Fractional Reserve Banking, The Money Supply, The Monetary Base, and the | PS5 | TA Review Session Friday Evening | [1]: 7 |

| | | Money Multiplier | | |
|-------|--|---|-----|---------|
| 11/24 | Midterm Exam #2 | Money and Inflation Part II: Quantity Theory of Money / Fisher Effect / Costs of Inflation / Hyperinflation | | [1]: 8 |
| 12/1 | A two-period model of inter- temporal choice / Review using Lagrangian and Optimization | The Consumption- Euler Equation / Generalizing the model with production / longer time horizons | PS6 | [1]: 16 |
| 12/8 | Investment, time value, asset pricing & arbitrage | The stock market, on the psychology of financial markets, bubbles | PS7 | [1]: 17 |
| 12/15 | | A EXAM 2/15/14, 7-10pm | | |