

University of California San Diego
Department of Economics

Summer Session I
July 2nd - Aug 4th, 2007

ELEMENTS OF ECONOMICS 3

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Course webpage: <http://dss.ucsd.edu/~rmuntean/econ3.html>

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I) Course Description The main objective of the course is to provide students with a the basic understanding of how the economy works at a general (aggregate) level. The main topics of study in this course are: output, unemployment and inflation. More specifically, the main goals of the course are:

- i) Understand what determines the *standard of living*. The standard of living is the level of consumption that people enjoy on average and it is a key variable in macroeconomics.
- ii) Understand what determines the *cost of living*. The cost of living is the amount of money it takes to buy goods and services that a typical family consumes.
- iii) Understand how and why the economy fluctuates. We will discuss about fluctuations by introducing an important variable, *business cycle*.

Other topics of interest in this course will cover the labor markets, capital markets, currency markets and international financial markets.

II) Required Textbook *Elements of Economics*, by Robert H, Frank and Ben S. Bernake, Third Edition , McGraw Hill. The book is available in the UCSD bookstore and on reserve.

III) Exams - There will 1 midterm exam and a final (cumulative) exam. Dates for the exams are **NOT** negotiable and you **MUST** take the exams on the specified date and time. If you miss an exam due to a **verifiable** medical reason you must contact me as soon as possible to arrange a make-up; otherwise you will receive a zero for that exam!

Midterm 1: Tuesday, July 21st, in class

Final Exam: Wednesday, August 1st, in class

IV) Homeworks - Assignments for this class play an important role in understanding the material and help students apply the economic notions and analytic tools in real like situations. There will be (almost) weakly homeworks posted on the class web page and solutions will be posted shortly after the due date.

Homeworks are due at the beginning of the class (early homeworks are welcomed but please make arrangements with me or the TAs). You can work individually or in groups to solve the homeworks, but you must submit your own individual answer sheet for each assignment. Each assignment can earn you up to 2 points as follows: 2 points if you try all the problems and show the relevant work; 1 point if your homework is incomplete or did not show the relevant work; 0 points if you do not submit the homework.

V) Quizzes - There will be 2 random in class quizzes; each quiz will have 2 short multiple choice questions and it will last 5 minutes. There is **no** make-up for the quizzes.

VI) Grades - Your final grade will be calculated as follows:

Quizzes (2x2.5%=5%), Homeworks (20%), Midterm I (30%), Final(45%)

The final letter grade will be determined using a curve for the whole class, centered on the average as a lower B-.

VII) Policy on Regrading Exams - Students who believe that their exam has been misgraded must appeal with a **written statement** explaining why she/he thinks that the grading was not correct. The written statement **must** be submitted to the TA **within 3 days** from the day the exam was handed back. Exam answered in pencil or other erasable medium cannot be submitted for regrading!

VII) Advice on how to study for this class I strongly encourage you to attend the lectures for a better understanding of the material. During lectures I will offer a lot of intuition and examples to help you grasp the more challenging concepts. Although the lectures will follow the textbook closely I am aware that sometimes we won't be able to cover all the relevant material; you are *responsible* for reading the entire chapters in the textbook. If you have any questions on the textbook materials please come to see the TA or me during office hours.

Course Schedule (tentative)

Date	Day	Topic		Suggested problems
July 2	M	Macroeconomics: The Bird's-Eye View of the Economy	Chapter 17	4,5
		Measuring Economic activity: GDP and Unemployment	Chapter 18	3, 4, 10
July 9	M	Measuring the Price level and Inflation	Chapter 19	5,8,9
		Economic Growth, Productivity and Living Standards	Chapter 20	4,6,7
July 11	W	Workers, Wages and Employment in the Modern Ec	Chapter 21	6,9
		Saving and Capital Formation	Chapter 22	2,3,4,9
July 16	M	Saving and Capital Formation and Review for midterm	Chapter 22	
July 18		Midterm	Ch 17-22	
July 23	M	Money, Prices and Federal Reserve	Chapter 23	1,3,6
		Financial Markets and International Capital Flows	Chapter 24	2,3,5,7
July 25	W	Short-Term Economic Fluctuations	Chapter 25	1
		Spending and Output in the Short-Run	Chapter 26	1,6,7,9,10
July 30	M	Stabilizing the Economy: The Role of the Fed	Chapter 27	1,2,4,7,8
		Inflation and Aggregate Supply	Chapter 28	
Aug 1	W	FINAL EXAM	Ch 17-28	