

Professor Valerie Ramey  
Spring 2006

### **Elements of Economics 3** **Macroeconomics**

What causes recessions? Why can one word from Ben Bernanke send shudders through the stock market? What makes inflation high or low? This course will present material that will help you answer these types of questions.

**Prerequisites:** Elements of Economics I and II and an enthusiasm for current macroeconomic issues.

**Required reading:** Robert H. Frank and Ben S. Bernanke, *Principles of Economics*, 2<sup>nd</sup> edition. Although the topics covered in class will follow the text, the lectures will contain material not in the text. Thus, regular class attendance is very important. You should also become well informed about the current state of the U.S. economy. The ideal way to stay informed is by daily reading of *The Wall Street Journal*.

**Homework:** You are required to use the WebCT web site for homework. For instructions on how to set up an account on WebCT, please go to:  
[http://iwdc.ucsd.edu/step1\\_webct4.pdf](http://iwdc.ucsd.edu/step1_webct4.pdf)

**Exams and Grades:**

20%: Homework (the lowest grade is automatically dropped)  
20%: Midterm 1 (Friday April 28)  
20%: Midterm 2 (Friday May 26)  
40%: Final (Monday June 12, 3:00 – 6:00 p.m.)

**Office Hours:** My office hours will be Monday and Wednesday, 12:45-1:45 in Economics 326.

**Academic Honesty:** You are required to turn in your own work, including homework, in this class. Students who are suspected of violating the student conduct code, by collaborating on homework assignments, copying from others' exams, or using unauthorized materials, will be reported to the Office of Student Conduct.

**Missed Exams:** I do not give make-up midterms. Unless they were unconscious in the emergency room, students must contact me before the exam in order not to receive a zero. Only very special cases, such as a death in the family or medical emergency, are sufficient reasons to miss an exam. In those cases, I upweight the student's other scores in computing the course score.

## **Course Outline**

(Chapters refer to Frank and Bernanke)

### **Part 6: Macroeconomics: Issues and Data**

Chapter 17: Macroeconomics: The Bird's-Eye View of the Economy

Chapter 18: Measuring Economic Activity: GDP and Unemployment

Chapter 19: Measuring the Price Level and Inflation

### **Part 7: The Economy in the Long-Run**

Chapter 20: Economic Growth, Productivity and Living Standards

Chapter 21: Workers, Wages and Unemployment in the Modern Economy

Chapter 22: Saving and Capital Formation

Chapter 23: Money, Prices and the Federal Reserve

Chapter 24: Financial Markets and International Capital Flows

### **Part 8: The Economy in the Short-Run**

Chapter 25: Short-Term Economic Fluctuations: An Introduction

Chapter 26: Spending and Output in the Short Run

Chapter 27: Stabilizing the Economy: The Role of the Fed

Chapter 28: Inflation and Aggregate Supply