

Economics 3 – Principles of Macroeconomics

5:00-6:20pm, TuTh, Patrick J. Ledden Auditorium

Instructor: Michael Bauer
Office: Sequoyah Hall 235
Email: mbauer@ucsd.edu
Office Hours: Thursdays, 2:00-3:30pm
Class Web Page: www.aplia.com

Course Description

Macroeconomists study the economy as a whole and thus analyze aggregate output and employment, interest rates, inflation and price stability, business cycles, monetary and fiscal policy, as well as long-term economic growth. But these concepts are important to a much broader audience than just economists: They concern us all, since our jobs, wealth, and economic well-being crucially depend on how the economy is doing. For this reason, discussions about the current state of the economy are all over the news.

The objective of this course is that the students become familiar with basic macroeconomic concepts and start answering macroeconomic questions. A great side effect: Your increasing familiarity with macroeconomic analysis will enable you to better follow and understand the economic and financial press. You then can and will actively participate in the discussions about the economic situation. More specifically, after successful completion of the course you will be able to:

- understand and characterize the different components of *aggregate demand*, namely consumption, investment, government spending, and net exports,
- describe the reasons and remedies for *unemployment*,
- grasp the importance of *interest rates*, and financial markets in general,
- understand why *inflation* is bad for us, and why deflation is even worse,
- identify the different goals and tools of *monetary policy* and *fiscal policy*,
- describe the determinants of *business cycle fluctuations* (short term) and *economic growth* (long term),
- explain what got us into the *financial crisis*, and why that led to the *Great Recession*,
- take a relieved sigh, realizing that the *expansion* is gaining speed.

Prerequisites

ECON 1 (Principles of Microeconomics) and an enthusiasm for current macroeconomic issues.

Required Reading

Frank, Robert H. and Ben S. Bernanke (2009), *Principles of Economics*, 4th ed., McGraw-Hill. There is a UCSD custom version of this textbook available at the UCSD Bookstore for \$93.00. The custom is identical to the 4th edition in every way except that it has an indifference curve appendix, has a different cover, and is cheaper (the publisher's price for the textbook is \$165).

There will be additional reading assignments from the following sources: *The Economist*, *Wall Street Journal*, *New York Times*, *Financial Times*, and others. The assignments will be announced on the course website.

Homework

Problem sets will be assigned every week, and you'll use Aplia for these:

Homework assignments – The due date for each assignment is clearly stated in Aplia. Most assignments will be due Sundays at 11:45pm. Carefully read how assignments are graded in Aplia. In calculating your final grade, I will consider the percentage of questions in each assignment you answer correctly. In order to allow flexibility for students who are sick, who have critical conflicts or who are having last-minute computer problems, the *six homework assignments with the lowest percentage scores will be dropped*.

Experiments – Participation in the *live experiments* is voluntary, but you should really check them out, these are pretty fun. Each experiment will have two associated *graded problem sets*, due before and after the experiment. To clarify: Whether you do the experiment or not, all experiment-related problem sets are required and graded. They're self-explanatory, but a little easier and more intuitive if you do the experiments.

Teaching Assistants and Sections

On your side for support and guidance throughout the quarter (if you so desire) will be an awesome, experienced TA. Laura and Steve hold weekly sections, in which you will apply the lecture material and solve problems. They also have office hours for individual questions and practice:

- Brian St. John, brianstjohn@gmail.com
Section: B01, Wednesdays, 12:00-12:50pm, PCYNH 122
Office hours: Sequoyah Hall 139, Wednesdays, 11:00am-12:00pm
- Laura Gee, lgee@ucsd.edu
Section: B02, Wednesdays, 2:00-2:50pm, PCYNH 122
Office hours: Sequoyah Hall 231, Tuesdays, 4:00-5:00pm

Exams

There will be two midterms and a cumulative final:

- Midterm 1: Tuesday, April 20th, in class (week 4)
- Midterm 2: Tuesday, May 18th, in class (week 8)
- Final Exam: Thursday, June 10th, 7:00-10:00pm, location TBA

Grades

Homework (20%), Midterm 1 (20%), Midterm 2 (20%), Final (40%).
Grades for the course will be curved.

Administrative Issues

1. If you have a documented disability, please come to talk to me as soon as possible so that I can make suitable accommodations for you. If you believe that you have a disability and desire accommodation, please register with the Office for Students with Disabilities.
2. Students found guilty of academic dishonesty will earn a failing grade for the course. In addition, the Council of Deans of Student Affairs will impose a disciplinary penalty.
3. If you need to miss a midterm for a verifiable medical/legal/sports reason, your midterm grade will be your grade on the final. Failure to notify me promptly that you must miss a midterm will result in a zero grade for that midterm. Unexcused absences will also result in a zero.
4. If you arrive late to an exam, I will allow you to take the exam in the time that remains *as long as no one has turned in his/ her exam and left the room*. Once a classmate has turned in his/her exam, you will earn a zero on the test if you arrive late.
5. UCSD now has automated waitlists. If you have any questions regarding adding the class, please refer to Triton Link or contact the undergraduate advisors in Sequoyah Hall 245. The Economics Department does not allow late adds (adds after the second week).

Tips to Doing Well

My recommendations for you on how to do well in the class:

- Work carefully through practice problems in the book and on Aplia, and of course through the homeworks.
- Attend the lectures – listen carefully, take notes and ask questions. Don't hesitate to interrupt me. If you have a question and you don't want to ask it in class, make a note and ask us later!
- Read through the relevant book sections and assigned readings. Make notes of questions that come up.
- Attend the sections and participate actively. If some practice problems are concepts give you trouble, don't hesitate to ask the TAs to go over it – preferably *in advance*, via email.
- Follow the news about current economic developments. Discuss with your classmates as well as with me and the TAs.

Outline of the Course

Introduction

Macroeconomics: Issues and Data

Chapter 16: Spending, Income and GDP

Chapter 17: Inflation and the Price Level

Chapter 18: Wages and Unemployment

The Economy in the Long-Run

Chapter 19: Economic Growth

Chapter 20: Savings, Capital Formation, and Financial Markets

Chapter 21: The Financial System, Money, and Prices

The Economy in the Short-Run

Chapter 22: Short-Term Fluctuations

Chapter 23: Spending and Output in the Short Run

Chapter 24: Stabilizing the Economy: The Role of the Federal Reserve

Chapter 25: Aggregate Demand and Aggregate Supply

Chapter 26: Macroeconomic Policy

International Economy

Chapter 27: Exchange Rates and the Open Economy

Chapter 28: International Capital Flows (p. 824-831)

Remark:

Although we will follow the outline of the book, we will discuss additional material, in particular current issues.

Aplia - Student Registration and Payment Instructions

Course Name: Economics 3 - Macroeconomics - Spring 2010

Start Date: 03/30/2009

Instructor: Michael D Bauer

Course Key: XK3E-UWZR-TYLK

Registration

If you have never used Aplia before...

1. Connect to <http://www.aplia.com>.
2. Click the New Student link and enter your Course Key: XK3E-UWZR-TYLK. Continue following the instructions to complete your registration.

If you have used Aplia before...

1. Connect to <http://www.aplia.com>.
2. Sign in with your usual e-mail address and password and enter your Course Key when prompted: XK3E-UWZR-TYLK. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course. Enter your Course Key when you are prompted.

* You will have different payment options after you register for your course. If you choose to pay later, you can use Aplia without paying until 11:59 PM on 04/18/2010.

Payment

Option 1: Aplia Access

- From Aplia: Purchase access to your course from Aplia's website for \$35.00 USD.
- From Bookstore: You may be able to purchase an Aplia Access Card from your campus bookstore.

Option 2: Physical Textbook with Aplia Access

- From Bookstore: You may be able to purchase an Aplia Access Card and a physical book together as a bundle from your campus bookstore.

* If you purchased an Aplia Access Card from a bookstore, enter the Access Card's payment code on Aplia's website as payment for your Aplia course.