

Intermediate Macroeconomics 110A
Winter 2002

Instructor: Wouter J. Denhaan
Office: Econ 322
Phone: (858) 534-0762
E-mail: wdenhaan@ucsd.edu
Website: <http://weber.ucsd.edu/~wdenhaan>
Office hours: Wednesday 1-2:30 PM or by appointment

Course Objective: Macroeconomic problems play an important role in the everyday life of many professionals. For example, it is important for manufacturers because it helps them to predict the demand for their product, wages, and taxes. It is important for financial investors because asset prices depend on interest rates and interest rates are influenced by macroeconomic factors like growth, the amount of government debt, and monetary policy. It is also important for consumers who want to know when to buy a house, what kind of mortgage to get, or how to plan for their retirement.

Unfortunately, macroeconomics is not very easy and academic economists have different views about the best way to model the macro economy. One reason why macroeconomics is so difficult is that all variables are related to each other. For example, a decline in the unemployment rate typically increases inflation. Then if inflation becomes too high, the Federal Reserve tightens monetary policy, which increases interest rates. This reduces the demand for investment, which reduces the demand for labor and increases the unemployment rate. In macroeconomics you always have to be careful not to simplify things too much. For example, during the 90's high productivity gains made it possible to have low unemployment rates and at the same time low inflation rates.

Economist use models to structure their understanding of the true economy. In 110A and 110B we will develop models and use them to highlight the important macroeconomic questions and hopefully to improve your understanding of the macro economy.

After you have taken this course you should have a clear understanding of why macroeconomic aspects are important in almost any type of business environment and you should have some basic intuition into the main macroeconomic mechanisms. Also, you should have an understanding of macroeconomics and macroeconomic policy issues at a level where you can appreciate articles written in the *Economist*, the *New York Times*, the *Financial Times*, and the *Wall Street Journal*.

Examinations:

- 1st midterm: Friday February 1st 8:00 AM
- 2nd midterm: Friday February 22nd 8:00 AM
- Final: Monday March 18th 8:00 AM

Course Grade:	Homeworks:	5%
	1 st Midterm:	25%
	2 nd Midterm:	25%
	Final:	45%

Missing Exams:

- If you miss an examination you will receive a zero score.
- It is your responsibility to show up on time (yup even for 8AM exams).
- Exceptions for momentous events like getting married are possible only if you let me know in advance.
- If you are sick (and still conscious), you or a care taker will have to inform me before or on the day of the exam.

Assignments: There are five homework assignments. The best four out of five assignments count towards your grade. LATE HOMEWORKS WILL NOT BE ACCEPTED!

Academic Dishonesty: ALL forms of academic dishonesty will be reported to the dean of your college. Cheating is offensive to the university that has chosen not to allocate substantial financial resources in monitoring students. More importantly, the practice of grading on the curve means that cheating lowers the grades of your fellow students.

Required Reading Material:

- The required textbook for this course is Macroeconomics, 3rd or 4th Edition, by Abel and Bernanke (Addison-Wesley). The study guide is not recommended! The bookstore doesn't seem to have used books but check the web for used versions of the 3rd (sometimes very cheap) or the 4th edition. You will not be needing the book until at least the second week.
- Macroeconomic news as reported in either the Wall Street Journal or the Financial Times. Interviewers have let the economics department know repeatedly to be stunned by the large number of UCSD economic majors that are not familiar with the Wall Street Journal. A substantial group of students do read serious newspapers and it is up to you to decide to which group you want to belong. You can obtain a student subscription (10 weeks for \$19) at <http://subscribe.wsj.com/cgi-bin/ps.cgi?T=124&K=7EJAPH&P=100693040421&S=70833>

Course Overview for 110A and 110B:

- A. Introduction: Macroeconomics and finance (Ch. 1, 8.1, 8.2, 8.3, and 2)
- B. Building blocks for a short-term model (Ch. 3, 4 (not the appendix) and 7)
- C. General framework to study business cycles (Ch. 9, 10, and 11)
- D. Macro economic policy (Ch. 12 and 14)
- E. The new economy, productivity and Economic Growth (Ch. 6)
- F. Microeconomic principles behind macroeconomics (Ch. 4 appendix and Ch. 15)
- G. Open economy macro (Ch. 5 and 13)