

Economics IB – Winter, 2004

Introduction to Macroeconomic Analysis

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Classroom: Center Hall 105
Class Time: MWF 4:00 – 4:50 pm
Class Web Page:

Discussion Sessions: Friday 5:00 – 5:50 pm in Peterson Hall, room 104
Friday 6:00 – 6:50 pm in Peterson Hall, room 104

Course Description

This course is an introduction to the part of economics called macroeconomics, which looks at the economy as a whole and includes a discussion of topics such as inflation, unemployment, how government spending can impact business cycles, the standard of living, national output, the budget, and trade deficits. The emphasis throughout will be on using economic logic to study the impact of changes in government policy.

We begin the course by examining the most basic concepts and models used by economists and then examine the economic statistics used by macroeconomists to evaluate the economic status of the economy. We then use these basic models and economic statistics to examine the different sectors of the economy, including the labor market, capital markets, financial markets, and international capital markets.

Discussion Sections and Teaching Assistants

Each week, there will be several sections. In these sections, Teaching Assistants will handout additional study questions that will not be available in lecture. These questions will be reviewed during the sections, and will help students in preparing for the midterms and the final. The question will not be graded, however, I strongly urge students to attend sections. The sections will begin the second full week of classes.

The Teaching Assistants will hold office hours, at times and places to be announced later.

Textbook

The required textbook is *Principles of Economics*, 2nd Edition, by Robert Frank and Ben Bernanke, McGraw Hill-Irwin, 2004.

Attendance

Class attendance is an individual responsibility. Daily attendance is not recorded, but attendance is advised. The lectures include material that does not appear in the textbook, but which are fair game for examination. The additional exposure to the material during lecture and the different medium of instruction, through verbal explanation and blackboard presentation, provide additional learning aids.

Homework

Each homework assignment must have the following information:

1. Your name
2. Your Student ID Number
3. Your Section ID Number

Homework will not be graded. Instead, when homework is handed in – either in class on Fridays or at the Friday discussion section, note will be made. Homework not handed in at the required time will also be noted. There will be 9 homework assignments, one for each week except the first week. One homework assignment can be missed, leading to 8 required homework assignments. Homework will not be graded. Instead, answers will be provided for students to compare their work with the posted answers. As discussed further below under “Exams and Grading,” each of the 8 required homework assignments will receive a full mark of 100, where each homework assignment receives a weight equal to one-half percent of the total course grade. All 8 homework assignments in total will count for five percent of the course grade.

Extra Credit Pop Quizzes

Several pop quizzes on recent class lecture material will be administered at the beginning of class for extra credit. The intent is to reward those students who attend class. Because attendance is not mandatory, the pop quizzes are extra credit, i.e. not taking the quizzes will not hurt your grade, but taking them can only help your grade.

Exams and Grading

There will be two midterms and a cumulative final.

Homework	5%	
First Midterm	25%	Covers Chapters 1,3, 17-19.
Second Midterm	30%	Covers Chapters 20-24.
Final	40%	Inclusive, but emphasis on material since second mid-term. Consult your calendar for date.

Extra Credit Pop Quizzes

There will not be any make-up exams. If you miss a midterm due to illness, you will be excused if, and only if, you obtain a note from your doctor. Exams missed due to athletic

events in which you are a participant will be excused if, and only if, you obtain a note from your coach and you have cleared the event with the instructor prior to the missed exam. In either case, the missed percentage from the midterm will be added to the final exam.

Students who miss an exam without an excuse, as detailed above, will receive a grade of zero (0) for the exam.

Students who miss an exam and make initial contact after the exam will have to document why they could not make contact prior to the exam. Failure to comply with any of the above in the specified manner will result in a grade of zero (0) for the exam.

No calculators, study aids, or notes will be allowed in the exams. Students arriving late will not receive extra time to complete their exam. Once a student completes the exam and leaves the exam room, no other student will be permitted to start the exam. Any student suspected of cheating on an exam will be brought to the attention of the Dean.

Mathematical Requirements

- (1) The ability to manipulate graphs and knowledge of slope and intercept.
- (2) Knowledge of basic algebra. You will need to be able to manipulate equations to solve systems of equations for the unknown variable(s).

If you feel unprepared for this level of math, please speak to me as soon as possible.

Readings

Introductory readings: read selected portions of Chapters 1 and 3. Make sure you are comfortable with the material in the Appendix to Chapter 1, "Working with Equations, Graphs, and Tables." This introductory material provides the economic foundation that is the basis for the study of macroeconomics. The rest of the readings specifically pertain to macroeconomics.

Unless you are told otherwise, you should read all appendices, footnotes, and extension boxes. You should also review all of the discussion questions at the end of the chapters

Introduction

Thinking Like An Economist

Ch. 1 (pp. 3-15, 18-19)

Supply and Demand: An Introduction

Ch. 3 (pp. 57-67, 71-80)

Macroeconomics: Issues and Data

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

Ch. 17

- What is macroeconomics?
- What are the key macroeconomic variables?

Measuring Economic Activity: GDP and Unemployment

Ch. 18

- How do we define and measure a country's output,

income, and unemployment?	
Measuring the Price Level and Inflation	Ch. 19
<ul style="list-style-type: none"> How do we define and measure the overall price level and cost of living for the population and various consumer groups in a country? Why is high inflation undesirable? 	
The Economy in the Long	
Economic Growth, Productivity, and Living Standards	Ch. 20
<ul style="list-style-type: none"> Why is per capita income much higher in some countries than in others? Why do some countries grow faster than others? 	
Workers, Wages and Unemployment in the Modern Economy	Ch. 21
<ul style="list-style-type: none"> Why is there unemployment? Why do unemployment and wages go up and down over time? 	
Saving and Capital Formation	Ch. 22
<ul style="list-style-type: none"> What explains the level of savings and investment and the formation of new capital in a country? 	
Money, Prices, and the Federal Reserve	Ch. 23
<ul style="list-style-type: none"> What is money and how does the monetary system work? 	
Financial Markets and International Capital Flows	Ch. 24
<ul style="list-style-type: none"> How are savings and investments balanced in an economy? What are the major financial markets and their role in Directing saving to productive uses? What are international capital flows, international capital Markets, and how do they affect the balance of trade? 	
The Economy in the Short Run	
Short-Term Economic Fluctuations: An Introduction	Ch. 25
<ul style="list-style-type: none"> What are short-run economic fluctuations (recessions and expansions), their causes, and policy responses? 	
Spending and Output in the Short Run	Ch. 26
<ul style="list-style-type: none"> Basic Keynesian model What factors affect the aggregate expenditure in the economy in the short run? How is GDP determined in the short run? How do fiscal policies affect the economy in the short run? 	
Stabilizing the Economy: The Role of the Fed	Ch. 27
<ul style="list-style-type: none"> How do monetary policies affect the economy in The short run? 	
Inflation and Aggregate Supply	Ch. 28
<ul style="list-style-type: none"> What are the determinants of inflation in the short run? 	