

UCSD: Economics 110A, Winter 2005

Intermediate Macroeconomics

1 Introduction

Macroeconomics attempts to explain the evolution of the main economic aggregates over time. We are interested in why total production (real GDP) grows over time on average and why it shows sizeable fluctuations around its long-run growth trend. We want to understand what causes unemployment and inflation, how interest rates behave and what causes a trade deficit.

In contrast to microeconomics, where the object of interest is a single firm or household, in macroeconomics we study the whole economy. Our reasoning, however, will be based on the insights that microeconomic theory provides.

Why should we care about macroeconomics?

1. It affects us on a day-to-day basis: A rise in the interest rate makes loans for cars more expensive, raises the interest rate that you pay on a mortgage and (usually) has a negative effect on stock prices. A decline in production leads to people being laid off. High inflation wipes out part of the value of your savings. The list goes on and on....
2. A good understanding of macroeconomics is essential for policy makers. Politicians can change fiscal policy (how much the government spends and how much you are taxed), and central bankers (Alan Greenspan and his Federal Reserve Board) can change monetary policy (how much currency to issue and how high to set the Federal Funds Rate - an important interest rate). As we will see later fiscal and monetary policy can have good and bad effects on the economy. It is crucial that policy makers and central bankers understand macroeconomic data and macroeconomic theory to make an informed decision about when and to what extent to change monetary and fiscal policy.
3. A good understanding is important for us as good citizens because it helps us to understand and evaluate what politicians, central bankers and the press tell us about the economy and what should be done to improve it.

2 Technical Details

- Instructor: Nir Jaimovich.
- Office: Economics Building 227
- Office Hours: Tu: 11:00-12:00.
- Email: njaimovich@ucsd.edu
- Classroom: Here. (Center Hall 119).
- Class time: TuTh 8:00 - 9:20 a.m.
- Class Webpage:
www.econ.ucsd.edu/~njaimovi/teaching/undergraduate/intermediate_macro110A.html
- TA: Michael Ewens.
- TA's Email: mewens@ucsd.edu
- TA Office Hours: To be announced.

3 Text Book

The required text book for this class is Macroeconomics (Third edition) by Olivier Blanchard. The home work assignments are going to be given from the book.

4 Topics to be Covered

- The optimistic view: In this case we are going to cover the following subjects (in parenthesis I wrote the relevant chapters)
 1. Introduction - What is Macroeconomics? (Chapters 1-2).
 2. Basic Definitions (Chapter 2)
 3. The Goods Market (Chapter 3).
 4. The Money Market (Chapter 4)
 5. The Goods Market and the IS (Chapter 5)
 6. The Money Market and the LM (Chapter 5)
 7. The IS-LM Model (Chapter 5)
 8. The Labor Market (Chapter 6)
 9. The AS-AD Model (Chapter 7)
 10. The Phillips Curve (Chapter 8-9)
 11. The Long Run (Chapters 10-13).
- The pessimistic view: We are optimistic by nature. We'll cover everything. And I mean EVERYTHING!

5 Attendance

You are students in one of the top universities in the world. This implies that I am not going to record attendance or use any other device to track your presence in the class. If you feel like you can avoid coming to class and still do well, please go ahead. However, I don't recommend this for two reasons:

1. Practical: I find it hard to believe that you can get a good grade in the class without coming to it. While the book is truly good (this is why the Economics department has decided to shift into it this year), it still won't cover all the material I want you to learn. This, for sure, will be reflected in the exam.
2. I believe that Economics, especially at this stage of your career, is truly a new language. In order to master this language, reading the book at home is not sufficient.

6 Practice Problems, Exams and Grading

- You will be getting weekly problem sets. These problem sets are **not** graded. They are meant to serve as a feedback for you to see how you are doing. The idea is the following one: I will give you a list of questions to cover at home, and at the next class I will start by devoting 10-15 minutes to cover these questions. I highly recommend that you try to solve the questions as they will be a vital tool for understanding the material.
- Two midterms and one final exam will be given in this class:
 1. Midterm I: 20%: January 25, 2005.
 2. Midterm II: 30%: February 17, 2005.
 3. Final: 50%: March 17, 2005.
- There are no make-up exams.

7 Most Important

- This class is not going to be about flashy slides. Don't expect to see a "slide show" that will look like a Spielberg movie. That's not what I am here for, and hopefully neither are you. What I want is to try and give you a basic understanding of Macroeconomics. In order to achieve this goal I ask you to:
 1. Challenge me - if something is unclear to you, then it is probably unclear to the rest of the class. Don't be SHY and ask questions.
 2. Our classes are at 8:00 am. So drink some coffee before.