

## ECONOMICS 100B: Economic Analysis: Macroeconomics

Lecture: TuTh 3:40 - 5:00 p.m., 1 Pimentel (CCN 22438)  
<http://emlab.berkeley.edu/~olney/fall09/econ100b>

This syllabus is the contract between you and me. Please read it carefully. "I didn't read the syllabus" is not an acceptable excuse for missing an exam, overlooking a reading, skipping a problem set, and so on.  
Prof. Olney

In Economics 100B, we further develop the tools of macroeconomic analysis that were introduced in Economics 1. Topics include: measurement of aggregate output and income; long-run growth; a flexible-price model of the composition of output; the short-run (sticky-price) model of fluctuations in output; aggregate demand; the monetary policy reaction function; and economic policy.

As part of Berkeley's Undergraduate Student Learning Initiative, the Economics Department has developed learning goals for the Economics major. See [http://emlab.berkeley.edu/econ/ugrad/ugrad\\_goals.shtml](http://emlab.berkeley.edu/econ/ugrad/ugrad_goals.shtml). The specific learning goals which this course aims to achieve are:

- Apply economic analysis to evaluate everyday problems
- Apply economic analysis to evaluate specific policy proposals
- Compare two or more arguments that have different conclusions to a specific issue or problem
- Understand the role of assumptions in arguments
- Solve problems that have clear solutions
- Communicate effectively in written, spoken, and graphical form about specific economic issues
- Know how to locate and use primary data sources
- Understand and evaluate current economic events and new economic ideas.

### *Professor's Office Hours*

Professor Martha Olney, 691 Evans Hall, 642-6083. E-mail: [Olney@econ.berkeley.edu](mailto:Olney@econ.berkeley.edu)  
Drop-in: Mondays & Tuesdays, 9:30 - 10:30 a.m.

**Prerequisites:** Economics 1, Economics 2 or PENR 1 (Introduction to Microeconomics and Macroeconomics); and Math 1A or 16A (one semester of college calculus).

### *Adding the Course*

The course is full. It is unlikely that everyone on the waiting list will get in. The department relies completely on TeleBears for enrollment purposes. Your chances of enrolling in the course are better if you choose a section that is underenrolled. If you are already on the waiting list but want to change your section choice, access TeleBEARS and use the change section option. **Do not drop yourself from the course wait list, or you'll lose your place "in line." Simply change sections.** See Juan Carlos Suarez (508-2 Evans, [headgsi@econ](mailto:headgsi@econ)) for assistance.

### *Textbook and Other Reading Material (Available at ASUC and other bookstores)*

REQUIRED:

- [1] DeLong, J. Bradford and Martha L. Olney. *Macroeconomics*. 2<sup>nd</sup> edition. McGraw-Hill, Inc., 2006. **You cannot use the first edition.** *Royalties received from the sale of the book to Cal students will be donated to the Cal Alumni Achievement Award Program.*
- [2] Regular reading of a first-rate news source (print or online version).

VERY STRONGLY RECOMMENDED:

- [1] Olney, Martha. *Study Guide to Accompany Macroeconomics by J. B. DeLong and M.L. Olney*. 2<sup>nd</sup> edition. McGraw-Hill. 2006. *Royalties received from the sale of the study guide to Cal students will be donated to the Cal Alumni Achievement Award Program.*

### ***E-mail Between You and Prof. Olney***

Please be sure your email address is accurately registered with the University's Bear Facts. Prof. Olney and the GSI's will use your Bear Facts email address. Be sure your email address is correct *and* that your inbox is not full. E-mails sent by Prof. Olney are archived at <http://bspace.berkeley.edu>.

Emails sent to Prof. Olney must have "Econ 100B" plus a descriptor in the subject line. For example, Econ 100B Enrollment, Econ 100B problem set question, Econ 100B article of interest, and so on. Emails must use appropriate grammar and spelling (no txtng) and must be signed with both first and last names. Emails that don't meet these minimum expectations are discarded.

All announcements are sent by email. Some announcements contain links to additional readings from current news sources. These readings are to be considered *required* assigned readings for the course.

### ***Announcements Policy***

No announcements are made in lecture. All announcements are sent by email and archived at bspace. If you would like to submit a written announcement that can be emailed to all Econ 100B students, you should send it to Prof. Olney. Include a student name and contact info in the announcement. Prof. Olney reserves the right to edit all submitted announcements and to determine whether the announcement is relevant to Econ 100B.

### ***Letter of Introduction***

For your second section meeting, please write a one-page letter of introduction of yourself to your graduate student instructor. Include your name and anything about yourself that you would like to share. This may be typed or handwritten. Please embed or attach a photo of yourself, as this will help your GSI learn your name. The paper will not be graded nor returned.

### ***Special Accommodations***

If you require special accommodations for exams or lecture due to learning or other disability, you must peak with Professor Olney **no later than Thursday, September 10**. You will eventually need to obtain the evaluation form from Disabled Students' Program (<http://dsp.berkeley.edu>, 260 César Chávez Student Center) which they will send electronically to Professor Olney.

### ***Laptop Policy***

No laptops are allowed in lecture unless required to accommodate physical or other disability. Tablet PCs are ok.

### ***Discussion Sections***

There are fourteen discussion sections. ***During the first week of classes (Aug 26 - Sep 1), you must first attend the section to which you were assigned by TeleBEARS as of Tuesday night August 25. If you do not attend that section the first week, you will be removed from the class.*** If you change section on August 26 or 27, attend both the old and new section on their first day. Section day/time/location and e-mail addresses for GSIs are on the course website.

### ***Responsibilities – Mine and Yours***

My responsibilities are to come to class prepared; respond to and encourage questions and other appropriate class participation insofar as class size permits; oversee grading of problem sets and exams; be available during office hours and for scheduled appointments; and stimulate an enthusiasm for economics and for learning.

Your responsibilities are to attend and participate in lecture three hours per week; attend and participate in section two hours per week; complete the assigned readings in a timely manner (allowing time to re-read difficult chapters); participate in class and in section; complete all assignments on time; and take two midterms and a final.

## Course Requirements

Discussion section is important. Lectures move quickly. Section with your GSI is a key part of learning the material. Your GSI will go over material from the text and lectures. News articles will be discussed in section. Your active participation in section will enhance your understanding of the course material, which will be helpful on problem sets and exams. 2 percent of your course grade (10 points) will be based on your attendance and participation in section. See your section syllabus for more information on how to earn those points.

Your course grade will be based on your performances on a comprehensive final (worth 200 points), two midterm exams (each worth 125 points), section attendance and participation (worth 10 points), and four problem sets (each worth 10 points). Students taking the course under the P/NP option must earn at least a C- in order to pass the course. (But you can not take this course P/NP if you are fulfilling a requirement for the economics major.) The share of each assignment in the total point score and the due dates are below.

## Due Dates and Share of Total Points

Assignment	Due Date	Share of Total Points
Section Participation	Throughout term	2
Problem Set #1	In W/Th section, September 9/10	2
Problem Set #2	In W/Th section, September 23/24	2
<b>MIDTERM EXAMINATION #1</b>	<b>In Lecture: TUES, October 6, 3:40 - 5:00 p.m.</b>	<b>25</b>
Problem Set #3	In W/Th section, October 21/22	2
Problem Set #4	In W/Th section, November 11/12 (MW & WF sections turn in PS4 at lecture on Nov 12)	2
<b>MIDTERM EXAMINATION #2</b>	<b>In Lecture, THURS, November 19, 3:40 - 5:00 p.m.</b>	<b>25</b>
<b>FINAL EXAMINATION</b>	<b>Mon., December 14, 5:00 - 8:00 p.m.</b>	<b>40</b>

## Regarding the Problem Sets

There will be four problem sets distributed in lecture and posted on the course website. You are to write answers to and submit to your GSI in section as shown above. Each problem set will be worth 10 points and will be graded by your graduate student instructor. Late problem sets lose 5 points per day. If your problem set is due on Tuesday and you turn it in on Thursday, you will lose all 10 of the 10 possible points.

You may work with other students on the problem sets, *but the written answers must be in your own words*. You may not prepare "group answers." If you copy someone else's answer, that is cheating. Problem sets that are copied or copied from, in part or in whole, will receive a zero (0).

Your GSI is not responsible for problem sets that are not turned in during section. **Problem sets placed into a GSI's box may be stolen. Stolen problem sets receive a zero (0).**

## Regarding the Exams

The midterm exams will be held on Tuesday, October 6, and Thursday, November 19 during the lecture period. Each midterm exam will be worth 125 points. Each exam will cover the material presented in lectures, section, and the assigned readings through and including the lecture before the exam. Each exam will be a closed book, closed note exam and will consist of several definition, short-answer, and problem questions. There will be no true/false or multiple choice questions. No calculators, laptops, phones, or other electronic devices allowed during exams. Old exams are posted on the course website.

The final examination will be on Monday, December 14, 5:00 - 8:00 p.m. **If you have or anticipate a conflict with the final exam, you should DROP THIS COURSE NOW.** Conflicts include nonrefundable tickets, weddings, and other commitments that require that you leave campus before December 14. Military commitments will be

accommodated. Regardless of your grade going into the final exam, if you do not take the final you will receive an "F" in this course.

***There are no scheduled make-up midterm exams.*** Students who miss a midterm for any reason **must** communicate with Professor Olney by e-mail and by phone (642-6083) by 3:30 p.m. on the day of the exam.

Answers are graded solely upon their content and not upon their intent. This means that we don't grade what you "mean to say" but what you actually write (even if you "knew the answer but just couldn't say it right"). This also means that answers that are illegible, rambling, or poorly organized will not receive high marks.

Your work will be graded by your graduate student instructor. Care is taken to ensure that the same quality of work will, at the end of the term, receive the same letter grade, regardless of who graded the work. There is no pre-set or common scale whereby a certain number of points corresponds to a certain letter grade.

There is no fixed curve for this course dictating what share of students will receive what letter grade. It is theoretically possible for everyone to earn an A. It is equally possible for everyone to earn a C. Past performance of students in Economics 100B indicates however that approximately 25-30 percent of the class will receive an A of some sort, about 35-40 percent will receive a B of some sort, and the remainder will receive C's or below.

### ***Academic Honesty Policy***

In fairness to students who put in an honest effort, cheaters will be treated harshly. Any evidence of cheating will result in a score of zero (0) on that assignment. Cheating on the midterms or the final will result in an F for the course. Incidences of cheating will be reported to the Center for Student Conduct and Community Standards, which may administer additional punishment.

Cheating includes but is not limited to bringing notes or written or electronic materials into an exam, using notes or written or electronic materials during an exam, copying off another person's exam or problem set, allowing someone to copy off of your exam or problem set, and having someone write an exam or problem set for you.

### ***Fire Alarm Policy***

A truly annoying bad habit is the pulling of fire alarms by ill-prepared and selfish students who foolishly think their entire future rests on the grade on one midterm. This is a felony crime, punishable by a fine and time in jail. In addition, anyone caught pulling the alarm will fail the course and is subject to expulsion from the University. If the alarm is pulled during an exam, the class will move outside and finish the exam in the allotted time.

### ***Course Outline and Reading Assignments***

The reading assignments are from the textbook. Occasional news articles will also be distributed electronically. These articles are to be considered "assigned reading." The material covered in this course is difficult. Students who regularly skip lecture are almost guaranteed to receive low marks in the class.

<b>I.</b>	<b>PRELIMINARIES</b>
Thursday, August 27	Administrative Concerns; Overview of Course; Review of Economics 1 Concepts
Tuesday, September 1	Economic Problems and Issues; Today's Economy READ: Chapter 1
Thursday, September 3	Macroeconomic Data: GDP, Stock Market, Interest Rates, Inflation Rate, Unemployment READ: Chapter 2

Tuesday, September 8      GDP Accounting; Economic Models  
                                    READ: Sections 3.1 and 3.2 of Chapter 3

Thursday, September 10      Critical Thinking; Some Math Tools  
(see next entry too)      READ: Sections 3.3 and 3.4 of Chapter 3

## **II.                                      LONG-RUN ISSUES: Determinants of Standard of Living**

Thursday, September 10      Overview of Neo-classical Growth Model (Solow Model)  
**Prob Set #1 Due (W, Th)**      READ: Section 4.1 of Chapter 4

Tuesday, September 15      Cobb-Douglas Production Function; Economic Growth – The Questions; Global Perspectives on Growth; Saving and Investment; Capital to Output Ratio  
                                    READ: Section 4.2 of Chapter 4, and Section 5.1 of Chapter 5

Thursday, September 17      Balanced-Growth Equilibrium  
                                    READ: Section 4.3 of Chapter 4

Tuesday, September 22      Changes in Equilibrium; Roles of Efficiency, Education, and Technological Change  
                                    READ: Sections 4.4 of Chapter 4 and 5.2 of Chapter 5

Thursday, September 24      Thinking about Economic Growth  
**Prob Set #2 Due (W, Th)**      READ: Sections 5.3 and 5.4 of Chapter 5

## **III.                                      TIMELESS ISSUES: Determinants of Aggregate Demand**

Tuesday, September 29      Determinants of Consumption  
                                    READ: Section 6.2 (Skip Section 6.1) of Chapter 6

Thursday, October 1      Determinants of Aggregate Demand: Investment, and Net Exports  
                                    READ: Sections 6.3 and 6.4

## **TUESDAY, OCTOBER 6    MIDTERM #1, in lecture**

## **IV.                                      LONG-RUN ISSUES: Determinants of Saving, Investment, & Prices**

Thursday, October 8      Flow of Funds; Interest Rates in the Flexible Price Model  
                                    READ: Section 7.1, 7.2, and 7.3

Tuesday, October 13      Equilibrium Interest Rate; Algebra too  
                                    READ: Sections 7.4, 7.5 and 7.6

Thursday, October 15      Flexible-Price Model, continued; Private vs. Public Investment  
                                    READ: Catch up!

Tuesday, October 20      What Is Money; Quantity Theory of Money; Determinants of Price and Inflation Rate in the Flexible-Price Model  
                                    READ: Chapter 8

**IV. SHORT-RUN ISSUES: Determinants of Unemployment & Inflation**

Thursday, October 22  
**Prob Set #3 Due (W, Th)**

Introduction to Sticky-Price Model; Income and Expenditure  
READ: Sections 9.1 and 9.2 of Chapter 9

Tuesday, October 27

Multiplier; Interest Rates and Spending  
READ: Section 9.3 of Chapter 9, Section 10.1 of Chapter 10

Thursday, October 29

Equilibrium in Goods and Services Markets; The IS Curve  
READ: Sections 10.2 and 10.3 of Chapter 10

Tuesday, November 3

Money Demand  
READ: Section 11.1 of Chapter 11 (skip the rest of Chap 11)

Thursday, November 5

Okun's Law; Phillips Curve  
READ: Section 12.1

Tuesday, November 10

Fed Monetary Policy Reaction Function  
READ: Section 12.2

Wednesday, November 11

Veteran's Day Holiday (University closed)  
MW & WF sections will turn PS 4 in to your GSI by 3:40 p.m. at Thursday's lecture

Thursday, November 12  
**Prob Set #4 Due (Th)**

Natural Rate of Unemployment, Expectations  
READ: Sections 12.3, 12.4, and 12.5

Tuesday, November 17

Catch-up and Review

**Thursday, November 19 MIDTERM #2, in lecture**

Tuesday, November 24

To Be Announced (Rescheduled to Tues December 8)

Thursday, November 26

Thanksgiving Day Holiday (no class; no section)

Tuesday, December 1

Stabilization Policy  
READ: Chapter 13

Thursday, December 3

~~Review & Extensions~~  
READ: Epilogue (pp. 510-515)

Tuesday, December 8

Concluding Remarks / Review  
READ: Catch-up

**Monday, December 14 FINAL EXAMINATION**

5:00 - 8:00 p.m.

PLACE: *to be announced*