

ECONOMICS 100B: Economic Analysis: Macroeconomics

Lecture: TuTh 3:40 - 5:00 p.m., 1 Pimentel (CCN 22453)
<http://emlab.berkeley.edu/~olney/fall10/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. The specific learning goals which this course aims to achieve are:

- CT1. Apply economic analysis to evaluate everyday problems
- CT2. Apply economic analysis to evaluate specific policy proposals
- CT3. Compare two or more arguments that have different conclusions to a specific issue or problem
- CT4. Understand the role of assumptions in arguments
- PS1. Solve problems that have clear solutions
- CS1. Communicate effectively in written, spoken, and graphical form about specific economic issues
- LL2. Know how to locate and use primary data sources
- LL3. 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
Drop-in: Mondays 9:30 - 10:30 a.m. & Tuesdays 9:00 - 10:00 a.m. Other times by appointment.

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 may be better if you choose a section with a small wait list. 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 Serrato (508-2 Evans, 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*. 2nd 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] Akerlof, George A. and Robert Shiller, *Animal Spirits*, Princeton University Press, 2009.
- [3] 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*. 2nd 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

Prof. Olney and the GSI's will use your officially-registered-with-the-University 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 the Econ 100B site 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 without being read.

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.

Laptop Policy

Because of the negative externalities associated with activities other than note taking, no laptops are allowed in lecture unless required to accommodate physical or other disability. Tablet PCs and Ipads flat on the desk are ok.

Discussion Sections

There are fourteen discussion sections. *You must initially attend the section to which you were assigned by TeleBEARS as of Wednesday night August 25. If you do not attend at least one of your assigned sections by Wednesday September 1 and you do not otherwise contact your GSI, you will be removed from the class.* Section day/time/location and e-mail addresses for GSIs are on the course website.

Responsibilities – Mine and Yours

My (Prof. Olney) 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; grade the optional paper; 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, and lead group exercises. News articles will be discussed. Your active participation in section will enhance your understanding of the course material, which will be helpful on problem sets and exams. 10 percent of your course grade (50 points) will be based on your 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 100 points), section attendance and participation (worth 50 points), and five problem sets (each worth 10 points). You also have the option of writing a paper (10 points). 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	10
Problem Set #1	In Tu/W section, September 7/8	2
Problem Set #2	In M/Tu section, September 20/21	2
MIDTERM EXAMINATION #1	In Lecture: TUES, September 28, 3:40 - 5:00 p.m.	20
Problem Set #3	In W/Th section, October 6/7	2
Problem Set #4	In M/Tu section, October 25/26	2
MIDTERM EXAMINATION #2	In Lecture, TUES, November 2, 3:40 - 5:00 p.m.	20
[Optional Paper]	[In lecture Thurs Nov 18, to Prof. Olney, by 3:40 p.m.]	[2]
Problem Set #5	In M/Tu section, November 22/23	2
FINAL EXAMINATION	Tuesday, December 14, 11:30 a.m. - 2:30 p.m.	40

Regarding the Problem Sets

There will be five 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 for every 1 minute - 24 hours they are late. 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. If it is due Tuesday at 1:10 p.m. and you turn it in Tuesday at 2:00 p.m., you lose 5 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 or prepare group answers, that is cheating. If your problem set is the same as someone else's problem set, in whole or in part, you both receive a zero (0) regardless of who did the work and who copied.

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 Optional Paper

One **optional** paper may be written during the term, due at the beginning of lecture on Thursday, November 18. The paper is worth 10 points and will be graded by Professor Olney. For the paper, you will select from a print or online news source an article that addresses macroeconomic issues. Using the tools of analysis covered in this course, you should *briefly* (1-2 paragraphs) summarize the article, and then analyze and criticize the article. You should follow the guidelines for criticizing arguments that are discussed in lecture on Tuesday, September 9. You must critique the article and not merely summarize it. Your paper should be well-written and should reflect your knowledge of macroeconomic theory. You must use and properly cite economic statistics from the *Economic*

Report of the President or other government documents to support your analysis. A grading rubric for the paper is on the course website; be sure to check it out if you plan to write a paper.

Your paper should be 500 to 750 words (2½-3 typed pages), double-spaced, with 1" margins on all sides, using nothing larger than a 12 point font (no less than 10 characters per inch). You **must** attach the article to your paper. **PAPERS NOT MEETING THESE SPECIFICATIONS WILL NOT BE GRADED.** *The paper must be turned in by 3:40 pm. No late papers will be accepted. No online submissions will be accepted.* **If you do not earn at least 5 of the 10 possible points on your paper, you will lose 5 points.**

Regarding the Exams

The midterm exams will be held on Tuesday, September 28, and Tuesday, November 2 during the lecture period. Each midterm exam will be worth 100 points. Each exam will cover the material presented in lectures, section, and the assigned readings through and including the lecture and section before the exam. No calculators, laptops, phones, or other electronic devices allowed during exams. Old exams are posted on the course website.

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.

The final examination will be on Tuesday, December 14, 11:30 a.m. - 2:30 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. Having 3 or 4 finals back-to-back is (crazy &) not an excuse to miss or reschedule the final. Regardless of your grade going into the final, if you do not take the final you will receive an "F" in this course.

Each exam will be a closed book, closed note exam and will consist of several definition, short-answer, essay, and problem questions. There will be no true/false or multiple choice questions. Exam booklets are provided.

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.

The course can be taken Pass/Not Pass if you are otherwise free to do so. You can not take this course P/NP if you are fulfilling a requirement for the economics major. Students taking the course under the P/NP option must earn at least a C- in order to pass the course. P/NP students must pass the final in order to pass the course.

Special Accommodations

If you require special accommodations for exams or lecture due to learning or other disability, please speak with Professor Olney **no later than Thursday, September 9**. 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.

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, having someone write an exam or problem set for you, and changing exam answers after an exam is graded.

Cheating also includes plagiarism, which is the presentation of someone else's ideas as your own. Plagiarism includes good old-fashioned copying (copying whole passages with or without credit), copying words and phrases without credit, using both main and supporting ideas without credit, and paraphrasing without credit. If you don't know when or how to properly cite sources for a paper, check this library document: <http://www.lib.berkeley.edu/TeachingLib/Guides/Citations.html>. Economists use the Chicago-Turabian Style Guide.

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 or *Animal Spirits*. 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.

I. PRELIMINARIES

Thursday, August 26	Administrative Concerns; Overview of Course; Review of Economics 1 Concepts
Tuesday, August 31	Economic Problems and Issues; Today's Economy; Standard Macro and the <i>Animal Spirits</i> Critique READ: Chapter 1, <i>Animal Spirits</i> (entire book)
Thursday, September 2	Macroeconomic Data: GDP, Stock Market, Interest Rates, Inflation Rate, Unemployment READ: Chapter 2
Tuesday, September 7 Prob Set #1 DUE (Tu, W)	GDP Accounting; Economic Models READ: Sections 3.1 and 3.2 of Chapter 3
Thursday, September 9 (see next entry too)	Critical Thinking; Some Math Tools READ: Sections 3.3 and 3.4 of Chapter 3

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

Thursday, September 9	Overview of Neo-classical Growth Model (Solow Model) READ: Section 4.1 of Chapter 4
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Tuesday, September 14 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 16 Balanced-Growth Equilibrium
READ: Section 4.3 of Chapter 4

Tuesday, September 21 Changes in Equilibrium; Roles of Efficiency, Education, and Technological Change
Prob Set #2 DUE (M, Tu) READ: Sections 4.4 of Chapter 4 and 5.2 of Chapter 5

Thursday, September 23 Thinking about Economic Growth
READ: Sections 5.3 and 5.4 of Chapter 5

TUESDAY, SEPT 28 MIDTERM #1, in lecture

III. TIMELESS ISSUES: Determinants of Aggregate Demand

Thursday, September 30 Determinants of Consumption
READ: Section 6.2 (Skip Section 6.1) of Chapter 6

Tuesday, October 5 Determinants of Aggregate Demand: Investment, and Net Exports
READ: Sections 6.3 and 6.4

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

Thursday, October 7 Flow of Funds; Interest Rates in the Flexible Price Model
Prob Set #3 DUE (W, Th) READ: Section 7.1, 7.2, and 7.3

Tuesday, October 12 Equilibrium Interest Rate; Algebra too
READ: Sections 7.4, 7.5 and 7.6

Thursday, October 14 Flexible-Price Model, continued; Private vs. Public Investment
READ: Catch up!

Tuesday, October 19 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 21 Introduction to Sticky-Price Model; Income and Expenditure
READ: Sections 9.1 and 9.2 of Chapter 9

Tuesday, October 26 Multiplier; Interest Rates and Spending
Prob Set #4 DUE (M, Tu) READ: Section 9.3 of Chapter 9, Section 10.1 of Chapter 10

Thursday, October 28 Equilibrium in Goods and Services Markets; The IS Curve
READ: Sections 10.2 and 10.3 of Chapter 10

TUESDAY, NOV 2 MIDTERM #2, in lecture

Thursday, November 4	Money Demand READ: Section 11.1 of Chapter 11 (skip the rest of Chap 11)
Tuesday, November 9	Okun's Law; Phillips Curve READ: Section 12.1
Thursday, November 11	Veteran's Day Holiday (University closed)
Tuesday, November 16	Fed Monetary Policy Reaction Function READ: Section 12.2
Thursday, November 18 Optional Paper DUE	Natural Rate of Unemployment, Expectations READ: Sections 12.3, 12.4, and 12.5
Tuesday, November 23 Prob Set #5 DUE (M, Tu)	Stabilization Policy READ: Chapter 13
Thursday, November 25	Thanksgiving Day Holiday (no class; no section)
Tuesday, November 30	Review & Extensions
Thursday, December 2	Concluding Remarks READ: Epilogue (pp. 510-515)
Tuesday, December 7	RRR Week: Optional Review with Prof. Olney in Pimentel, 3:40 - 5:00 p.m.
TUESDAY DEC 14 11:30 a.m. - 2:30 p.m.	FINAL EXAMINATION PLACE: <i>to be announced</i>