UGBA 101B – Macroeconomic Analysis for Business Decisions

Dr. Steven Wood

Administrative Details:

Class Sessions: Tuesdays & Thursdays, 3:30 p.m. – 5:00 p.m., C230
Discussion Sections: Fridays, 11:00 a.m. – noon & noon – 1:00 p.m., C135
GSI: Manpreet Anand (amand@haas.berkeley.edu)

Text: David C. Colander and Edward N. Gamber, Macroeconomics
Supplies: Colored pens or pencils
Office: F490
Office Hours: Tuesdays & Thursdays, 2:00 – 3:30 p.m. and by appointment
Office Phone: 643-9993
E-mail Address: swood@haas.berkeley.edu

Course Description:

This is a course in intermediate macroeconomics with an emphasis on real world applications. There are two objectives for this course.

1. To develop simple models of the markets for goods and services, assets, capital and labor that can be usefully applied to generate realistic predictions about the behavior of macroeconomic variables such as output, employment, unemployment, interest rates, the government budget balance, the current account balance, inflation, and exchange rates.

2. To apply these models to understand and interpret current and historical macroeconomic developments—including monetary and fiscal policy choices—primarily in the advanced industrialized countries.
Class Representative:

I would like someone who is a Haas student to serve as class representative. If you would like to serve in this capacity, please contact me following class.

Website:

We will use the CATALYST Course Management Service for our course website. It will include the syllabus, lecture notes, homework assignments, and answers, exams and answers from previous semesters, exams and answers (after the fact), your grades on homework and exams, and other information relevant to the class. Registered students should have already received an e-mail from CATALYST with your userid and password; if you have not, contact the Haas Computing Center.

Mailing List:

Registered students have automatically been added to the course mailing list. The course list name is ugba101b-1. The instructor and GSIs will use this feature to send any announcements or other important information to the class.

I will also use e-mail for virtual office hours. You can e-mail me and ask questions regarding class policy and/or macroeconomic issues electronically; when relevant, I will answer them and send both questions and answers to all members of the class.

Classroom Etiquette:

Class is from 3:40 p.m. – 5:00 p.m. I will begin class promptly and end class on time. If you arrive late and/or leave early, please make every effort to do so quietly. This includes, but is not limited to, minimizing noise when opening and closing doors.

This is a large classroom with relatively poor acoustics. In consideration of your fellow students and the instructor, please refrain from talking with your neighbors during class.
Grades:

There are five graded assignments during the semester with the following weights.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Weight (%)</th>
<th>Due Date</th>
</tr>
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<tbody>
<tr>
<td>Homework 1</td>
<td>20%</td>
<td>(September 16, Tuesday)</td>
</tr>
<tr>
<td>Exam #1</td>
<td>20%</td>
<td>(October 14, Tuesday)</td>
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<tr>
<td>Exam #2</td>
<td>20%</td>
<td>(November 4, Tuesday)</td>
</tr>
<tr>
<td>Final Exam</td>
<td>30%</td>
<td>(December 11, Thursday, 5:00 – 8:00 p.m.)</td>
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The GSI will grade all assignments. Grading disputes may arise; with the exception of arithmetic errors, the instructor will handle them. In order to avoid problems associated with self-selection, disputes involving points scored on individual questions will NOT be considered. However, if you wish, the entire assignment will be re-graded by the instructor. This re-grading may result in either a higher or lower number of points being scored. Requests for re-grading must be submitted in writing to the instructor within one week of the assignment first being returned.

Homework:

Homework problems are assigned and posted on Catalyst.

Homework MUST be word-processed although you may do graphs and equations by hand if you like.

Homework assignments MUST have your name (last name first), SID number and lecture number in the upper right-hand corner.

Homework is due at the beginning of class on the assignment due date. Faxed or e-mailed homework will NOT be accepted; late homework will NOT be accepted. If you want to turn your homework in early, check with the GSI.

Graded homework will be returned in discussion sections. Homework scores will be posted on Catalyst. It is your responsibility to insure that they are correct. Any discrepancies should be reported to the GSI immediately.

You may work together on homework but each student MUST submit only his or her own work; copying and/or editing another person’s work from disk or paper are NOT permitted. If, in the judgement of the GSI and instructor, copying and/or editing has taken place, ALL students associated with the copying and/or editing will receive a “zero” for the assignment. A subsequent infraction will result in a “zero” for ALL (past, present and future) homework assignments.
Exams:

Exam #1 is scheduled for Tuesday, September 16th in class.

Exam #2 is scheduled for Tuesday, October 14th in class.

Exam #3 is scheduled for Tuesday, November 4th in class.

The Final Exam is scheduled for Thursday, December 11th, from 5:00 to 8:00 p.m. in a location to be determined.

These tests will cover the materials assigned for that section. Although these tests are not intentionally cumulative, macroeconomics is by nature cumulative.

Calculators, computers and other electronic devices are NOT permitted during exams.

Graded exams will be returned in discussion sections. Exam scores will be posted on Catalyst. It is your responsibility to insure that they are correct. Any discrepancies should be reported to the GSI immediately.

Course Letter Grades:

Your final course letter grade will be determined solely from the weighted average percentage of your graded assignments relative to the adjusted class median and standard deviation. Points earned on each graded assignment are converted to percentages. Each graded assignment percentage is then weighted by the weight for that assignment.

- Your lowest homework grade will be dropped.
- No exams will be dropped.
- There are no alternative weightings of graded assignments.
- There are no extra credit assignments.

At the end of the semester, the class mean, median, and standard deviation are calculated, and then adjusted for students who have scored very poorly. This adjustment raises the class mean and median but reduces the standard deviation. The adjusted class median is the highest B. Therefore, approximately one-half of the class will get grades of B+ or better while the rest of the class will get grades of B or below.
Code of Ethics/Test Affirmation:

In concert with the Haas School’s Code of Ethics you will be asked on all of the exams to sign an ethics affidavit that the work you turn in is your own. A copy of the Code of Ethics and a sample of the affirmation are below.

Failure to sign the ethics affidavit will result in a “zero” for that examination.

Ethical Standards of the Undergraduate Program at the Haas School of Business

The Haas School of Business at the University of California, Berkeley offers one of the finest undergraduate degrees in the world. It is a privilege to attend this institution and to share in the character of high ethics that the Haas name instills in the business world.

This privilege requires responsibility. We expect of ourselves and our fellow students the highest ethical behavior. This institution is nothing without the personal integrity of each of us. Your grades and your degree will mean little without a firm foundation upon which to base these credentials.

This institution can create opportunities that are currently unavailable to most of us. Each of us must uphold high ethical standards to protect these opportunities. Any of us who do not uphold these standards should not expect to share in the future opportunities a degree from this institution will create.

Code of Ethics of the Undergraduate Program

Haas School of Business

Neither this school, its students, nor its professional associations will condone cheating, lying, or any other misrepresentations. Moreover, anyone who willingly conceals these activities will be considered accomplices and equally culpable.

All undergraduate students are expected to comply with the code of ethics of the Undergraduate Program at the Haas School of Business as stated above. In doing so, we commit ourselves to upholding the standards of honesty, integrity and personal responsibility.

Violations of the code of ethics will be referred to the University of California, Berkeley’s Office of Student Conduct.

Haas Students
Highest Standards

This code is created by unanimous resolution of the Undergraduate Presidents of Student Clubs and Fraternities at the Haas School of Business.
Name: ____________________________
SID: ____________________________
Lecture: __________________________

UGBA 101B
Macroeconomic Analysis for Business Decisions

Dr. Steven A. Wood

Spring 2003

EXAM #1

Please sign the following oath:

The answers on this test are entirely my own work. I neither gave nor received any aid while taking this test. I will not discuss the questions on this test until after 5:00 p.m. on February 13, 2003.

______________________________
Signature

Any test turned in without a signature indicating that you have taken this oath will be assigned a grade of zero.

DO NOT OPEN
THIS TEST UNTIL INSTRUCTED
TO DO SO!

You have until the end of class to take this test.

Good luck!
Absences:

Attendance will NOT be taken in either class or discussion sections. You do not need to contact either the GSI or me if you miss class. However, homework is due at the beginning of class; late homework will NOT be accepted. If you will miss class you may have another student turn your homework in for you. If you wish to turn your homework in early, check with the GSI. In addition, you are responsible for any assignments that may be given in class.

Reading and Homework Assignments:

Class-by-class reading and homework assignments are on the following pages.

You are strongly urged to read the assigned materials and do all of the assigned exercises in advance of the lectures. Additional handouts concerning current applications of macroeconomic theory and policy may be assigned and discussed as well. You are responsible for ALL assigned materials. Lectures will generally follow the textbook but NOT cover all of the material.

You should also read, on a regular basis, the Business Outlook article from Business Week, which is available every Friday on their website. To access the article go to

www.businessweek.com

Click on the BW Magazine tab at the far left. Then click on the Business Outlook link. Be sure to look at the charts that accompany the article.

On occasion, the lectures will extend and/or modify the textbook material and handouts. Where differences occur between lecture and textbook or handout materials, the lecture will be deemed correct for grading purposes.

You might also want to read the business section of a major newspaper and/or weekly periodical to stay abreast of current macroeconomic conditions. Recommended newspapers include the Wall Street Journal, the New York Times, the Financial Times, the Washington Post and the Los Angeles Times. Recommended weekly periodicals include Business Week and The Economist.
August 26, 2003 (Tuesday)
Lecture #1, Introduction to the Class; Introduction to Macroeconomics

August 28, 2003 (Thursday)
Lecture #2, Introduction to Macroeconomic Variables
Reading Assignments: Colander & Gamber, Chapter 1
Colander & Gamber, Chapter 2, pp. 37 – 49
Colander & Gamber, Chapter 3, pp. 67 – 70

September 2, 2003 (Tuesday)
Lecture #3, The Circular Flow of Income
Reading Assignments: Colander & Gamber, Chapter 4, pp. 98 – 109

September 4, 2003 (Thursday)
Lecture #4, Economic Output
Reading Assignments: Colander & Gamber, Chapter 2, pp. 21 – 30
Colander & Gamber, Chapter 2, Appendix A

September 9, 2003 (Tuesday)
Lecture #5, Unemployment and Employment
Reading Assignments: Colander & Gamber, Chapter 2, pp. 34 – 37
Colander & Gamber, Chapter 3, pp. 75 – 89

September 11, 2003 (Thursday)
Lecture #6, Inflation
Reading Assignments: Colander & Gamber, Chapter 2, pp. 30 – 34
Colander & Gamber, Chapter 2, Appendix B
Colander & Gamber, Chapter 3, pp. 70 – 75, 89 – 94

Homework Assignment: #1
September 16, 2003 (Tuesday)

EXAM #1

September 18, 2003 (Thursday)

Lecture #7, The Keynesian Cross Model
Reading Assignments: Colander and Gamber, Chapter 8, pp. 210 – 221

September 23, 2003 (Tuesday)

Lecture #8, The Multiplier
Reading Assignments: Colander and Gamber, Chapter 8, pp. 210 – 221

September 25, 2003 (Thursday)

Lecture #9, The IS-LM Model, Part 1
Reading Assignments: Colander and Gamber, Chapter 8, pp. 222 – 235

September 30, 2003 (Tuesday)

Lecture #10, The IS-LM Model, Part 2
Reading Assignments: Colander and Gamber, Chapter 8, pp. 235 – 239
Colander and Gamber, Chapter 9, pp. 244 – 253

October 2, 2003 (Thursday)

Lecture #11, Monetary Policy
Reading Assignments: Colander and Gamber, Chapter 13
Homework Assignment: #2

October 7, 2003 (Tuesday)

Lecture #12, Fiscal Policy
Reading Assignments: Colander and Gamber, Chapter 14
Homework Assignment: #3
October 9, 2003 (Thursday)
Lecture #3, Stabilization Policy
Reading Assignments: Colander and Gamber, Chapter 8, pp. 253 - 267
Homework Assignment: #4

October 14, 2003 (Tuesday)
EXAM #2

October 16, 2003 (Thursday)
Lecture #14, Aggregate Demand and Aggregate Supply
Reading Assignments: Colander and Gamber, Chapter 11, pp. 303 – 319

October 21, 2003 (Tuesday)
Lecture #15, The Price Adjustment Mechanism
Reading Assignments: Colander and Gamber, Chapter 11, pp. 327 – 332

October 23, 2003 (Thursday)
Lecture #16, The Inflation Process
Reading Assignments: Colander and Gamber, Chapter 11, Appendix A

October 28, 2003 (Tuesday)
Lecture #17, Dynamic Aggregate Demand, Aggregate Supply and Inflation
Reading Assignments: Colander and Gamber, Chapter 11, Appendix A
Homework Assignment: #5

October 30, 2003 (Thursday)
Lecture #18, Stabilization Policy with Inflation
Reading Assignments: Colander and Gamber, Chapter 9, pp 319 – 327
Homework Assignment: #6
November 4, 2003 (Tuesday)

EXAM #3

November 6, 2003 (Thursday)

Lecture #19, Long-Term Growth / Production Functions
Reading Assignments: Colander and Gamber, Chapter 4, pp. 98 – 109

November 11, 2003 (Tuesday)

HOLIDAY

November 13, 2003 (Thursday)

Lecture #20, Solow Growth Model, Part 1
Reading Assignments: Colander and Gamber, Chapter 5

November 18, 2003 (Tuesday)

Lecture #21, Solow Growth Model, Part 2
Reading Assignments: Colander and Gamber, Chapter 5

November 20, 2003 (Thursday)

Lecture #22, Solow Growth Model, Part 3
Reading Assignments: Colander and Gamber, Chapter 6
Homework Assignment: #7

November 25, 2003 (Tuesday)

Lecture #23, Growth Accounting / Extending the Solow Growth Model
Reading Assignments: Colander and Gamber, Chapter 6

November 27, 2003 (Thursday)

HOLIDAY
December 2, 2003 (Tuesday)

Lecture #24, Monetary Policy in the Long Run
Reading Assignments: Colander and Gambar, Chapter 7, pp. 179 – 190
Homework Assignment: #8

December 4, 2003 (Thursday)

Lecture #25, Combining the Short-, Intermediate- and Long-Term / Summary & Conclusions
Reading Assignments: Colander and Gambar, Chapter 4, pp. 109 – 121
Colander and Gambar, Chapter 15

December 11, 2003 (Thursday)

FINAL EXAM, 5:00 – 8:00 p.m.