

Macroeconomic Theory, Econ 102

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UCLA
Fall 2018

Lectures: Mondays and Wednesdays, 3:30-4:45pm, Dodd Hall, Room 147.

Office hours: Mondays and Wednesdays, 4:45-5:45pm. (Bunche 8389)

Website: <https://moodle2.sscnet.ucla.edu/course/view/18F-ECON102-1>.

Prerequisites: Econ 101.

Recommended textbook (not mandatory) : Olivier Blanchard's *Macroeconomics*, 7th Edition, without MyLab (Ebook ISBN: 978-0-13-383799-5; Print ISBN: 978-0-13-378058-1; Print ISBN: 978-0-13-383801-5).

Graduate Student Instructors:

Sections 1E-1I. Paula Beltran.
Sections 1A-1F. Mengbo Zhang.
Sections 1H-1M. Alvaro Boitier.
Sections 1B-1C. Anthony Papac.
Sections 1N-1K. Conor Foley.
Sections 1G-1O. Ivan Lavrov.
Sections 1D-1J. Kun Hu.

Course description. In this course we will examine the forces that determine economic activity in the short-run, the medium run and the long run. Particular emphasis will be placed on the most recent recession associated with the 2007-2009 global financial crisis, to stabilization policies, and the determinants of unemployment and inflation. I will emphasize issues related to open economy macroeconomics, and those which are relevant to policymaking – such as fiscal policy and monetary policy. The class will mostly be concept-based, and will involve some empirical analysis. I will emphasize the importance of macroeconomic statistics, and how to study and interpret them. Competing schools of thought will be presented. I will also stress how different macroeconomic theories can be put to scientific testing.

Course Objectives. My objective is that, by the end of the course, you will be able to read, and critically assess writings from *The Economist*, *The Wall Street Journal*, or the *New*

York Times. The bibliography below suggests some readings in relation with the theme of the class. Macroeconomics is everywhere in the news, and I hope to be able to go through the tools you need to understand it better. I will try to be as transparent as possible on which questions have reached broad consensus among macroeconomists (incentives matter, capital accumulation increases GDP, etc.), and which have not (is public debt too high in advanced economies? do Americans save enough? etc.). However, in all these cases I shall give you some arguments for and against each side of the debate, hoping that you will be able to make a more informed opinion.

Prerequisites. A strict prerequisite for the class is that you have taken Econ 101. If you do not meet this prerequisite, you are advised to take this course during another term. You should also be familiar with some elementary mathematics. For example, you need to know what a logarithm is. Olivier Blanchard's *Macroeconomics*, 7th Edition has a mathematical appendix page A-7 (Appendix 2 - A math refresher). We shall review these tools during the beginning-of-quarter TA review sessions, but it is best if you start studying them as soon as possible.

Need Help? If you have any question about the material covered during the course, you should consider the following options in order:

1. First, you should never refrain from asking questions during class.
2. Second, you may ask questions during recitation sections. The smaller group should allow you to ask questions more freely. Our teaching assistants are all passionate graduate students, writing a PhD thesis on macroeconomics or other related subjects, so they will be very happy to help you.
3. Third, TAs will hold their office hours. The time of their office hours is available on the Moodle platform.
4. Fourth, you should **feel free to ask questions on the discussion board (not by email)**. We will never respond to questions about contents by email (especially those starting with "is X, Y, Z, test material"), because doing so would be unfair to the rest of the class. In contrast, we commit to respond to all questions on the Moodle Website within 24 hours (either me or the TAs will). Beware ! You should start studying for the midterm exam earlier than April 29, 2018 – we will stop answering questions at 6pm the day before each exam (either the midterm on April 30, or the final on June 14).
5. Finally, I will hold regular office hours on Monday and Wednesday afternoons, after the class, in my office 8389, from 3:15 to 4:15pm.

Readings. There is one recommended textbook for this course, copies of which have been ordered at the UCLA Bookstore: Olivier Blanchard's *Macroeconomics*, 7th Edition (without Mylab). The chapters from the class will more or less follow the textbook, but only the notes from the class will be potentially examinable, as well as the readings from the class.

Exams. Everything that I say during the class, that is covered during recitation sections, is potentially examinable. Therefore, it is absolutely necessary that you attend all lectures!

It is encouraged to take notes during the class. As for practicalities: sufficient space will be provided on the sheets to answer. No notes, no books, no smartphones, no calculators, will be allowed during the exam. You **must** bring your UCLA ID in order to take the exam. Without a UCLA ID, you will not be allowed to take the exam.

Final Grade. Your final grade has two components: one midterm exam, and a comprehensive final exam. Your final grade will be given by whichever of these two options gives you the best grade: (Midterm (40%) + Final Exam (60%)) or (Final Exam (100%)). In any case, there will be **no makeup exams**. If a midterm exam is missed due to a **documented** serious illness or emergency, the final exam will be worth 100 % of your grade. Note that attending the midterm is like an “option value”: you are necessarily better off attending the midterm, no matter what your grade is.

Regrade Policy. Students who wish to have their midterm or their final examinations regraded should submit a request in written form to their assigned Graduate Student Instructor, clearly explaining why they think they deserve a regrade. If a student requests a regrade, the whole exam will be regraded. Therefore, the grade can increase or decrease.

Other. For more details about policies regarding grading, exams and other matters please refer to the following link: <https://www.econ.ucla.edu/undergraduate/>. I will adhere to the guidelines specified in this webpage. If you wish to request an accommodation due to a suspected or documented disability, please contact the Center for Accessible Education as soon as possible at A255 Murphy Hall, (310) 825-1501, (310) 206-6083 (telephone device for the deaf). Website: <http://www.cae.ucla.edu/>

Bibliography

(updated throughout the quarter)

This bibliography is preliminary and will be updated throughout the quarter. Only the material indicated with the sign ⓘ is compulsory reading, and therefore, potentially examinable.

1 What is Macroeconomics?

Why is macroeconomics so hard to teach?, *The Economist*, August 8th, 2018. [Link](#)

The Economics of Well Being, *Harvard Business Review*. [Link](#)

G.D.P. R.I.P., *The New York Times*, August 9, 2009. [Link](#)

Keeping up with the Karumes, *The Economist*, October 29th, 2015. [Link](#)

Preliminary Course Time Table
(Tentative, subject to change)

Date	Topics
October 1, 2018 October 3, 2018	Introduction to Macroeconomics Cobb-Douglas, Solow Growth Model
October 8, 2018 October 10, 2018	Consumption Technological Growth
October 15, 2018 October 17, 2018	Inflation and Unemployment Consumption Function, Multiplier
October 22, 2018 October 24, 2018	Paradox of thrift Public Debt / Say's law
October 29, 2018 October 31, 2018	Redistributive Policies Monetary Policy
November 5, 2018 November 7, 2018	Midterm Exam Phillips Curve
November 12, 2018 November 14, 2018	Memorial Day Empirics of Monetary Policy
November 19, 2018 November 21, 2018	Empirics of Fiscal Policy Keynesian Cross and Open Economy
November 26, 2018 November 28, 2018	Twin Deficits Mundell-Fleming, Depreciations
December 3, 2018 December 5, 2018	Currency Wars, Manufacturing Decline Review Session
December 14, 2018	Final Exam (11:30am-2:30pm)