Overview

This is a course in introductory macroeconomics, with a strong emphasis on international applications. There are two objectives for this course. The first is to develop simple models of the goods and services, asset, capital, and labor markets which can be usefully applied to generate realistic predictions regarding the behavior of such macroeconomic variables as: output; employment; inflation; the current account; and interest and exchange rates. The second is to apply these models to understand and interpret current and historical macroeconomic developments, primarily in the industrialized OECD countries. Having both the theoretical framework and the empirical knowledge in place will enable you to frame a large number of managerial questions within a larger macroeconomic context, and allow you to navigate uncertainty with more precision and confidence.

Administrative Minutiae

The techniques will be basically geometric, although algebra will be used throughout. Class communication will be conducted via e-mail outside class.

The text for the course is the most recent (eighth) edition of Macroeconomics by Mankiw (though the early editions are quite similar). Recent editions of texts by Dornbusch, Fischer and Startz, Hall and Taylor, Gordon, Abel and Bernanke, Blanchard, and Barro are good additional references. In the case of difficult material, students are encouraged to consult another text. In any case, students are strongly urged to read the textbook in advance of the lectures, especially given that grades are allocated for in-class participation.

The required readings (outside the text) for the course are not available in a photocopied course reader (though there are required cases available on study.net). Instead, students are required to familiarize themselves with all important current and recent macroeconomic developments in countries of relevance. One good way to do this to read the (daily) Financial Times regularly; another option is The Economist (a weekly magazine). (Sign-ups for both the FT and The Economist at student subscription discounts are available at their web-sites which are linked through my teaching site). Empirical (as well as theoretical) knowledge of key macroeconomic relationships, data, and policy issues (recent and current) will be considered a prerequisite for passing the course.

My generic teaching webpage is: http://faculty.haas.berkeley.edu/arose/Teach.htm and I also have a special page for BA201b, http://faculty.haas.berkeley.edu/arose/BA201bfiles.htm .

I am in the office most of the time, most days, and typically operate on an “open-door” policy; feel free to e-mail, call, or drop in. If you want to ensure that I’m in, make an appointment with me via e-mail, or call me before you stop by.
Grading

Grades will be allocated on the basis of: in-class participation (20%); three group case write-ups (3 x 10% each); a short mid-term test (5%) and a final exam (45%). It is sometimes possible to arrange for special assistance for part of the evaluation upon advance application. I adhere to Haas grading policy which states the mean course GPA should be no more than 3.45.

Optional problem sets are available electronically. These will not be graded, nor are they worth formal credit. However, the names of students who hand in problem sets will be recorded, and students on the margin of receiving a higher grade will benefit from completing problem sets. Problem set exercises, as well as answers, are posted at http://faculty.haas.berkeley.edu/arose/PSets.htm and are linked at the course website. Versions of these questions sometimes appear on the exam.

I am open to the idea of formal review sessions, and await the views of the class on this issue. While I will not hold scheduled office hours, I will be available via e-mail and should be accessible in person before and after most teaching sessions. The teaching assistant will also be available for e-mailed questions, around teaching sessions, and on demand for more formal reviews.

In-class participation grades will be allocated on the basis of quality (especially) and quantity of participation. Prompt daily attendance in class is required. (If an absence is required, please e-mail me in advance.) Students are also required to use name cards and to sit in the same seat throughout the semester. “Cold calls” will be used extensively. Witty heckling of the instructor, victimless humor, literary and political allusions, and insightful correct answers are all encouraged and will be suitably rewarded. Students are allowed to opt out of attending (and/or answering cold calls) for one or two sessions without cost; please just ask me in advance. Students who are uncomfortable answering cold calls after a few sessions should speak to me directly.

A word or two on cold-calling. It is often an advantage in business situations to be able to answer a cold-call well; the classroom is a good place to develop this skill. My cold-calling is not intended to be adversarial for its own sake; rather, it is meant to encourage advance preparation, while also allowing me to monitor the progress of the class. You are always allowed to “pass” on a question if you do not know the answer (though you should only have to do this a limited number of times); you can also ask for the question to be repeated, or for a little extra time. I reiterate: if you are uncomfortable answering cold calls after a few sessions, please speak to me.

The three cases for which write-ups are required will be distributed in class or made available on the web. A write-up of no more than (around) 10 word-processed pages can draw mostly or wholly on the case materials, but you’re also allowed to draw on material you find yourself. Groups should have between four and six people (five is optimal). All cases should be handed in by reasonable close of business on the due-date, in a word-processed hard copy with good English.

The mid-term will be short, multiple-choice, closed-book, and held in class. It is intended primarily to ensure that students understand the language of macro-economics and key stylized facts.

Studying for the final exam is best done in groups, using recent copies of the FT and Economist. A good way to proceed is to ask “How can the theoretical models that we’ve developed in class be used to understand this event?” Old exams, along with sample answers, are available at study.net. We’ll discuss the exam format in class; it is often two hours long with a single sheet of paper used as an aid (and a dictionary if English is not your native language).
Any complaints about grading must be submitted in hard copy, along with any supporting materials, within one week of grade issuance. Unless the complaint is arithmetic in nature, I reserve the right to re-grade the work in its entirety.

Finally

If you notice an error or significant omission on this syllabus or the course website, or make a good suggestion, tell me and I’ll reward you with an automatic bonus point.

Class Schedules: Evening 201b, Spring 2013. All classes meet in F320.

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<th>Read chapters</th>
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Please note that Macro (BA201b) and Strategy (BA299) will swap certain nights in two weeks:

- EW MBA201b.2b will meet on Tuesday March 26 instead of Thursday March 28 (when EW MBA299.2b will meet)
- EW MBA201b.1b will meet on Monday April 15 instead of Wednesday April 17 (when EW MBA299.1b will meet)
- EW MBA201b.2b will meet on Tuesday April 16 instead of Thursday April 18 (when EW MBA299.2b will meet)
Tentative Course Outline
(Readings in Mankiw's text (8th edition) in parentheses)
Class Numbers are in brackets

I. Introduction to Critical Concepts (1,2) [Class #1]

II. Long-Run Relationships
   A. Level of National Income Production; Distribution; and Allocation (3) [Class #1]
   B. Long-Run Trends Economic Growth, Productivity and Savings (8,9) [Class #2]
      1. The Solow growth model. Technological change and capital accumulation; accounting for the sources of economic growth.
      2. International differences in growth.
   C. Labor Unemployment, Employment and Wages in the Long Run (7) [Class #3]
      1. Frictional and Structural Unemployment. The natural rate of unemployment.
      2. Differences in labor markets across countries and over time.
   D. Asset Markets and Nominal Side: Inflation, Money and Interest Rates (4,5) [Class #4]
   E. Opening the Economy: the Current Account and Balance of Payments (6) [Class #5]
      2. The real exchange rate and the current account.
      3. Theory and evidence on purchasing power parity.
         • Argentina Case Due

III. Short-Run Business Cycle Fluctuations
   A. Introduction to Aggregate Demand and Aggregate Supply (10) [Class #6]
      • In-Class Multiple Choice Mid-Term
      1. Application to oil-price and monetary shocks.
   B. The Multiplier Model (11-1) [Class #6]
      1. Fiscal Policy.
   C. The Closed Economy IS-LM Model (11-2, 12) [Class #7]
      1. Monetary Policy.
         • Oil Case Due
   D. Open Economy “Mundell-Fleming” Model of Capital Mobility (13) [Classes #7,8]
      1. Capital Mobility.
      2. Monetary policy and Mundell’s “Holy Trinity”.
      3. Exchange Rate Regimes.
   E. Economic Policy (18) [Class #9]
      1. European Monetary Union.
      2. Rules vs. Discretion, and central bank independence.
         • European Currency Crisis Case Due
   F. The Labor Market, Supply Side and the Phillips Curve (14) [Class #9]
   G. Conclusion [Class #9]
      1. Summary, Roundup and Review