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 (ninth) edition of Macroeconomics by Mankiw (though the early editions are quite similar). Later 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 is 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%); a short in-class presentation of a country project (35%); and a critique of another group’s in-class presentation (10%). 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. Please hand in problem sets to the GSI. 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 tests.

I will be holding three optional review sessions, one for each of the cases; the idea is to discuss them the morning after you’ve handed them in. 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. Excellent participation involves enhancing the class experience for your classmates by answering questions that I ask of you in particular or the class in general, making relevant comments and posing valuable questions, and asking illuminating questions when your classmates make presentations. 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 objective of the country project is to use class material to examine one or more of the macroeconomic conditions of a particular country; your group chooses both the country and the particular topic. This might involve assessing the country’s potential long-run rate of economic growth, looking at a recent business cycle, examining the strength of the financial or monetary system, figuring out whether labor or exchange rate policies should be reformed, or whatever. No group has to apply all the tools we’ve developed in class; the group should focus on something they consider to be interesting. In the last class, each group will make a short presentation, to teach the class about a macroeconomic issue or challenge that faces a particular country. More on the project is available at http://faculty.haas.berkeley.edu/arose/Project.pdf.

Organization of country project. 1) Form a group of five people; these do not have to be the same groups as those for cases. 2) Choose a country (first come, first serve), and a topic.
3) Meet with the instructor to discuss this at least once. 4) Prepare a presentation of **no more than fifteen minutes** that will be delivered during one of the last two classes. Email a PDF/PPT version of the presentation or a paper (of less than fifteen pages, double-spaced, 12 font) to the instructor a week in advance (by reasonable close of business). Please ensure that this is a final version. Please email EITHER a paper or a Presentation, NOT BOTH (if you email both, I will grade the paper). 5) Present your project in **no more than fifteen minutes** and be prepared for five minutes of Q&A afterwards. Your group is also responsible to provide a critique of another group’s presentation that should be emailed to the instructor for posting by the time of the first presentation; this critique should be no more than three pages (double-spaced, 12 font).

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. These are group projects: groups should have five people and hand in a single submission. All cases should be handed in (by reasonable close of business latest, unless otherwise stated by the instructor) on the due-date, in a word-processed hard copy with good English. Please be reasonable in the length of the write-up; it is unfair to your classmates and the grader to mess excessively with formatting, font size, appendices, etc.

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.

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.

The student community at UC Berkeley has adopted the following **Honor Code**: “As a member of the UC Berkeley community, I act with honesty, integrity, and respect for others.” My hope and expectation is that you will adhere to this code. I also adhere to Haas policy for incidents of academic dishonesty.

**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.
<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Main Topic</th>
<th>Read chapters</th>
<th>Prepare for/Hand in</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan 2</td>
<td>Income</td>
<td>1, 2, 3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Jan 10/11</td>
<td>Growth</td>
<td>8, 9</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Jan 17/18</td>
<td>Money</td>
<td>4, 5</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Jan 24/25</td>
<td>Labor</td>
<td>7</td>
<td>Subprime Case</td>
</tr>
<tr>
<td>5</td>
<td>Jan 31, Feb 1</td>
<td>Floating</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Feb 7/8</td>
<td>Business Cycles</td>
<td>10, 11</td>
<td>China Case, In-Class Multiple-Choice Mid-Term</td>
</tr>
<tr>
<td>7</td>
<td>Feb 14/15</td>
<td>Financial Shocks</td>
<td>11, 12</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Feb 21/22</td>
<td>Fixing</td>
<td>13</td>
<td>Presentations due</td>
</tr>
<tr>
<td>9</td>
<td>Feb 28, Mar 1</td>
<td>Presentations</td>
<td></td>
<td>Euro Case, Presentations</td>
</tr>
<tr>
<td>10</td>
<td>Mar 7/8</td>
<td>Presentations</td>
<td></td>
<td>Presentations</td>
</tr>
</tbody>
</table>
Tentative Course Outline, 2018
(Readings in Mankiw's text (9th 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. Asset Markets and Nominal Side: Inflation, Money and Interest Rates (4,5) [Class #3]
   D. Labor Unemployment, Employment and Wages in the Long Run (7) [Class #4]
      1. Frictional and Structural Unemployment. The natural rate of unemployment.
      2. Differences in labor markets across countries and over time.
   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.

III. Short-Run Business Cycle Fluctuations
   A. Introduction to Aggregate Demand and Aggregate Supply (10) [Class #6]
      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.
   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.
      4. European Monetary Union.

IV. Presentations