Course Syllabus

EC202: Macroeconomic Theory
Boston College
Department of Economics
Spring 2009

Prof. Georg Strasser
Office: Room 443, 21 Campanella Way
Phone: (617) 552 1954
Email: Georg.Strasser@bc.edu
Office Hours: Tuesday 3:00 pm – 5:30 pm

Course website: http://www2.bc.edu/~strasseg/EC202_Spring09.htm

Course Description
This course gives an intermediate treatment of macroeconomics for undergraduate students. The objective of the course is to provide the necessary tools for understanding the mechanics and evolution of the economy and for evaluating current debates about macroeconomic policy. Building on the theory of modern macroeconomics this course discusses both powers and limitations of macroeconomic policy in dealing with a wide range of macroeconomic issues, such as business cycles, (un-)employment, inflation, and growth.

Prerequisites
Macro Principles (EC132), Calculus I (MT100, MT102 preferred)

Required Background
We will use algebra and a little bit of calculus. We will briefly review the necessary tools, but to enjoy this section you must be able and willing to deal with a few technicalities. I expect you to carefully read the textbook, and work through a set of exercises at the end of each chapter. I strongly urge you to regularly read an authoritative source of economic news and analysis, such as the Economist, Financial Times, Wall Street Journal, or a respected economic newspaper from your home country. We will frequently discuss current events in class, and homeworks and exams are likely to ask you for an informed discussion of current events.
Textbook


I strongly recommend you to get the textbook together with the study guide. The study guide provides you with a wealth of review problems and self-test exercises, with solutions. It is perfect for exercising your mind and getting yourself ready for the exams. The textbook and the study guide are available in a discounted package at the BC bookstore.

Teaching Assistant

Name: TBA
Office: TBA
Phone: TBA
Email: TBA
Office Hours: TBA

Exams, Homework, and Grading

Your final grade will consist of

- Project, homeworks and class participation:
  - Project: 20%
  - 5 submitted homeworks: 10%
  - Class participation: 5%
- Midterm exam (Thu, Feb. 26th, 1:30 pm): 20%
- Final exam (Tue, May 5th, 9:00 am): 45%

The *examinations* will be a combination of “true or false”, graphical and numerical problems, as well as short essays, similar to the homeworks. Any unverified absence during a midterm or final exam will result in a zero for that exam.

I encourage you to work in groups on homework and the project. *Up to 3* students can form one *study group* and submit their homework and the project jointly. You must pick your group by the time the first homework is due, and you cannot switch groups thereafter for the rest of the course. Each member of the group will get the same grade, so choose your group wisely. In your own interest you should attempt to solve the homework on your own *before* your study group meets – you will be glad you did during the exams when you are on your own. Homework is due at the beginning of class. *Late submission* of homework will result in a 20% penalty. Late assignments will not be accepted after graded homeworks have been returned to students.

*Exercises in the book*, beyond the homeworks you submit, are an integral part of the course and are compulsory. Consider working with your study group on exercises in the book, even if they were not assigned as homework.
Important dates

- January 29th (Thursday): First homework due, last day to choose a study group
- February 26th (Thursday): Midterm exam at 1:30 pm (in class)
- April 21st (Tuesday): Project due
- May 5th (Tuesday): Final exam at 9:00 am

Academic Integrity, Disability Services

Any infraction of Boston College’s Academic Integrity Policy will result in an automatic F for the course and the offense will be reported to the Dean’s office. There will be no exceptions. Boston College is committed to providing equal and integrated access for students with disabilities to all available academic, social, and recreational programs and activities. The Disability Services Office at Boston College ensures that students with disabilities receive appropriate accommodations and assistance in order to participate fully in University programs. Students requiring assistance are advised to get in touch with the Office of the Dean for Student Development.

Course Topics

Introduction

The course begins with a very short math refresher and an introduction to the issues and approach of macroeconomics.

- A Tour of the World (Chapter 1)
- A Math Refresher (Appendix 2)
- A Tour of the Book (Chapter 2)
- An Introduction to National Income and Product Accounts (Appendix 1)

In the first part of the course, we cover the entire “core” part of the textbook.

The short run

In the short run, demand determines output. Many factors affect demand, from consumer confidence to fiscal and monetary policy.

- The Goods Market (Chapter 3)
- An Introduction to Econometrics (Appendix 3)
- Financial Markets (Chapter 4)
- Goods and Financial Markets: The IS-LM Model (Chapter 5)

The medium run

In the medium run, the economy returns to a level of output associated with the natural rate of unemployment.

- The Labor Market (Chapter 6)
- Putting All Markets Together. The AS-AD Model (Chapter 7)
- The Natural Rate of Unemployment and The Phillips Curve (Chapter 8)
- Inflation, Activity, and Nominal Money Growth (Chapter 9)
The long run
In the long run growth dominates fluctuations. So now we ask: What determines growth?
• The Facts of Growth (Chapter 10)
• Saving, Capital Accumulation, and Output (Chapter 11)
• Technological Progress and Growth (Chapter 12)
• Technological Progress. The Short, the Medium, and the Long Run (Chapter 13)

In the second part of the course we will dive deeper into some extensions of the core model, for example

• What is the role of expectations in output fluctuations? (Chapters 14–17)
• Most economies trade both goods and assets with the rest of the world. What are the implications of this openness? (Chapters 18–21)
• Sometimes the economy goes astray: Output drops sharply. Unemployment remains high. What are the causes of such economic breakdowns and how can they be resolved? (Chapters 22 and 23)
• What should policymakers do? (Chapters 24–26)