

Economics EC202.01
Macroeconomic Theory
Fall 1997

Prof. Peter Pedroni
143 Carney Hall
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class schedule: 10:30-11:45 T,R
class room: O'Neill 247

Office Hours: 1:00-2:00 T,R
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Textbooks: Mankiw, Gregory Macroeconomics, Worth, 3rd ed. (1997)
Kaufman, Roger Student Guide and Workbook (optional)

Course Requirements: one midterm exam (40% of grade)
one final exam (50% of grade)
five problem sets (10% of grade)

Course Outline (time allocations for each topic are approximate):

I. Introduction and Review Materials (1/2 week)

- A. *Course Overview*
- B. *Basic Concepts*, Chapters 1,2

II. Long Run Issues and Neoclassical Models

- A. *The Classical Model*; Chapter 3 (1 week)
 - savings, investment and output under full price adjustment
- B. *Long Run Growth*; Chapter 4 (2 1/2 weeks)
 - the classical Solow growth model
 - new endogenous growth models
- C. *Long Run Unemployment*; Chapter 5 (1/2 week)
 - sources of persistent unemployment
- D. *Money and Inflation*; Chapter 6 (1 week)
 - role of money and the quantity theory
- E. *The Long Run Role of the Open Economy*; Chapter 7 (1 week)
 - trade balances, international borrowing and lending

- exchange rates

III. Short Run Issues and New Keynesian Models

- A. *The Basic Keynesian IS-LM Model*; Chapters 8-10
(2 1/2 weeks)
 - short run income under fixed prices
 - fiscal and monetary policy
- B. *The Short Run Role of the Open Economy*; Chapter 13
(1 1/2 weeks)
 - exchange rates and the Mundell-Fleming model
- C. *Aggregate Supply and New Keynesian Explanations for Sticky Prices*; chapter 11 (2 weeks)
 - sticky wage models
 - worker misperception models
 - imperfect information models

IV. Bringing Together Long Run and Short Run Issues and Models

- A. *The Policy Debate and the Models*; Chapter 12 (1/2 week)
- B. *Flexible Price Models*; Chapter 14 (2 weeks)
 - real business cycle models
 - growth models and business cycles
 - the role of relative prices and the open economy
- C. *The Role of Government Debt*; Chapter 16
(1 week, time permitting)

**Supplemental Outside Readings for EC202.01
Pedroni, Fall 1997**

Parante, Stephen and Edward Prescott, "Changes in the Wealth of Nations," *Federal Reserve Bank of Minneapolis Quarterly Review*, pp 3-16, Spring 1993.

Plosser, Charles "Understanding Real Business Cycles," *Journal of Economic Perspectives*, 3:3 pp 51-77, Summer 1989.

Romer, Paul "The Origins of Economic Growth," *Journal of Economic Perspectives*, 8:1 pp 3-22, Winter 1994.