

Boston College  
Department of Economics

EC 304 Macroeconomic Policy  
Fall 1997  
T & Th 9:00-10:15

Bob Murphy  
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Office Hours: T, Th 10:30-12:00

This course studies macroeconomic policymaking in the United States. We will explore and learn to use the tools macroeconomists employ in providing policy advice. These tools include both analytical models and economic data. We also will examine historical examples of macroeconomic problems and the policies that were used to confront them. Examples will include the military buildup of the 1960s, the oil price shocks of the 1970s, the budget deficits of the 1980s, and the credit crunch of the early 1990s, among others. A major component of the course includes frequent written assignments in which students assess macroeconomic conditions and provide policy guidance.

Textbooks and Course Materials: The Economic Report of the President, 1997, is the only text for the course. Copies are available at the bookstore (or you can download chapters on-line via the internet). Other readings and materials will be available from me either in class or on-line. You are strongly urged to follow the economic news of the day either in the Wall Street Journal or New York Times.

Course Requirements: Students are expected to attend all classes and participate in discussions. Starting in the fourth week of class, and continuing throughout the semester, a brief (one-page) writing assignment assessing the current state of the economy will be due each week. You will be provided with guidance in each assignment concerning the data sources on which to base your assessment. Much of the data we will use are available on-line from government sources. During some weeks the assignments will focus on interpreting economic indicators released during that week. During other weeks (particularly when little new data are released) you will be asked to assess a current economic puzzle or problem using a variety of data.

Besides the short, weekly written assignments, you will also be required to submit a longer paper (7-10 pages) exploring the state of the macroeconomy during a one-year period prior to 1992. In this paper you will highlight the underlying macroeconomic problems of the time and assess the adequacy of response to those problems by policymakers. As part of this assignment, you will be encouraged to use an on-line macroeconomic model of the U.S. economy in order to assess alternative policy scenarios.

An integral part of the course will involve obtaining data and other information over the internet. You must be familiar with the use of

internet browser programs such as "Netscape" and are strongly urged learn how to graph data in a spreadsheet program such as "Microsoft Excel." Your written assignments will be greatly enhanced if you are able to present charts to illustrate your arguments. The Boston College Computing Facility in O'Neil Library is the place to start if you need further assistance in using a spreadsheet program.

Due Dates: The weekly assignments will be due on Tuesdays. The first assignment will be due on Tuesday, September 30, with one due each week through December 2 (for a total of 10 assignments). A first draft of the longer paper will be due November 13. I will return the paper to you with comments by the following week and you will then revise the paper and submit a final version on December 9, the last day of classes.

Course Topics:

- I. Brief Review of ISLM and Aggregate Demand/Aggregate Supply model
- II. Overview of current macroeconomic situation in the United States
- III. Understanding Economic Indicators: The continuous stream of data and what it all means
- IV. Macroeconomic Forecasting and Policy Evaluation: Vector Autoregressions versus Structural Models
- V. Selected Episodes in the Macroeconomic History of the U.S. Economy since World War II.