

BOSTON COLLEGE
Department of Economics

EC 202.03 (MW3*)
Macroeconomic Theory
Fall 1998

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I. Course Objective

This course covers the field of macroeconomics. Its objective is to analyze issues of importance to the economy as a whole, such as national income, unemployment, inflation, economic growth, interest rates, and exchange rates. We want to understand how these economic variables are determined, why they change over time, and how they are affected by policies implemented by government authorities. Along the way, we might want to search for economic policies (if any) that may produce "desirable" economic outcomes.

II. Pre-requisites

This is a course in **theory**, and therefore we seek to build models of the macroeconomy. There are three major requirements that every student must meet in order to survive in this course:

1. A sound understanding of the principles of Macroeconomics (Ec 132 or equivalent);
2. A sound understanding of simple models of Supply and Demand (Ec 131 or equivalent);
3. Fluency with all the concepts of Pre-Calculus (graphs, slopes, limits, tangents, functions, solving systems of equations); also, knowledge of the basic elements of differential calculus is extremely useful (derivatives and slopes, function minimization and maximization).

III. Textbooks Information

Mankiw, Gregory N., Macroeconomics, Worth Publishers, 1997, third edition (**required**).

The textbook is accompanied by:

Kaufman, Roger, Student Guide and Workbook (**optional, highly recommended**).

Dornbusch, Fischer, Startz, Macroeconomics, McGraw-Hill, 1998, seventh edition (**optional, recommended**).

Note: All readings in the course outline refer to Mankiw.

IV. Course Requirements

	<u>dates</u>	<u>% of final grade</u>
First exam	October 9, (Friday)	30%
Second exam	November 13, (Friday)	30%
Final exam	December 11, (Friday, 9:00)	40%

The usual letter grade will be assigned. [Definition of letter grades: A, A-, excellent; B+, B, B-, good; C+, C, C-, satisfactory; D+, D, D-, passing but unsatisfactory; F, failure or course dropped without notifying office; W, withdrawal from course; I, incomplete.]

V. Course Organization and Expectations

- The final exam will be comprehensive.
- You are held responsible for all readings, assignments and announcements made in class.
- All exams must be taken. Failure to take any exam **will result in a zero** for that exam. Absolutely NO make up exams will be given in this course. Any valid excuse must be **approved through me prior to the exam**. Any excused exam that is missed will result in re-weighting of subsequent exams. The final exam must be taken. If school happens to be canceled (ex. snow day) on the day of the scheduled exam, the exam will be given on the next class meeting. Since the dates of the exams are known in advance, please plan your travel arrangements accordingly.
- The best way to learn economics is by solving problems. Problem sets will be given throughout the course. They are optional but strongly recommended. Indeed, they are designed to help you study for the exams. It is therefore in your best interest to work on them thoroughly. You must be able to solve the problems to obtain a passing grade on the exams. Problem sets will be handed out at least one week before they are due. I will still collect them and check them. Short answers to the problems will be made available.
- You may work together on the problem sets--indeed you are strongly encouraged to do so--but you are not to simply copy the work from someone else. You are to work through your own answers before turning them in.
- The development of the material is cumulative -- it builds upon itself -- so don't let things get behind. Feel free to stop me at any point to ensure that you understand before moving on. Ask questions and visit in my office during my office hours (Tuesday, 1:00-5:00). You can also make an appointment for other days or time.
- Before class, you should review previous material and skim the text to get an idea of the material to be covered in class. During class you should take good notes, ask questions if there is any point which is not clear. You should encourage and engage in discussion when it seems appropriate. After class, you should review your notes, read the appropriate text material, and prepare a list of anything you need clarified. **So class attendance is extremely important and active participation in class is strongly encouraged.**
- **Academic Integrity:** Please be advised that cheating on any exam or quiz will not be tolerated and will result in an automatic failing grade on the exam or quiz in question. This will be the minimum action taken. Please refer to the page on Academic Integrity taken from the BC Student Handbook. These principles should guide you not only in this course, but throughout your studies.

COURSE OUTLINE

I. Introduction

1. The Science of Macroeconomics (Chapter 1)
2. The Data of Macroeconomics (Chapter 2)

II. The Economy in the Long Run

1. National Income: Its Production, Distribution, and Allocation (Chapter 3)
2. Economic Growth (Chapter 4)
3. Unemployment (Chapter 5)
4. Money and Inflation (Chapter 6)
5. The Open Economy (Chapter 7)

III. The Economy in the Short Run

1. Introduction to Economic Fluctuations (Chapter 8)
2. Aggregate Demand (Chapters 9 and 10)
3. Aggregate Demand in the Open Economy (Chapter 11)
4. Aggregate Supply (Chapter 12)

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

1. The Macroeconomic Policy Debate (Chapter 13)
2. Recent Development in the Theory of Economic Fluctuations (Chapter 14)
3. The Debates over Government Debt (Chapter 16)