Economics 202
Spring 1996

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Macroeconomic Theory

Macroeconomics is the study of the economy as a whole. Macroeconomics attempts to explain the evolution of important economic variables such as the total income of everyone in the economy, the price level, the unemployment rate. Macroeconomists study how these economic variables are determined, why they change over time, and how they are affected by the monetary and fiscal policies implemented by the government. Macroeconomics helps us understand how the economy works and how we can improve it.

This course provides students with a general framework for thinking about important macroeconomic issues, such as: What determines income and income distribution in the economy? What are the causes and the costs of inflation? What causes recessions and depressions? What can the government do to reduce unemployment ? We will learn simple but insightful models and use them to discuss economic problems relevant to today's policy debates.

Course requirements:

Midterm examination	(40 %)
Final examination	(50 %)
Homework (problems)	(10 %)

The required textbook for the course is

Macroeconomics **by N. Gregory Mankiw (Worth Publishers, 1994), second edition.**

The course outline below refers to chapters in the textbook. The chapters covered in class are required reading.

COURSE OUTLINE

I. Introduction

The Science of Macroeconomics (Chapter 1)

The Data of Macroeconomics (Chapter 2)

II. Income and Prices

National Income: Its Production, Distribution and Allocation (Chapter 3)

Inflation (Chapter 6)

Introduction to Economic Fluctuations (Chapter 8)

Aggregate Demand (Chapters 9 and 10)

Aggregate Supply (Chapter 11)

The Macroeconomic Policy Debate (Chapter 12)

Unemployment (Chapter 5)

III. Open-Economy Macroeconomics

The Open Economy (Chapter 7)

The Open Economy in the Short Run (Chapter 13)

IV. More on the Microeconomics Behind Macroeconomics: Consumption, Saving and Investment

Consumption (Chapter 15)

Two Views of Government Debt (Chapter 16)

Investment (Chapter 17)