

BOSTON COLLEGE
Department of Economics

EC 202
Macro Theory
TuTh: 9:00 am
Spring 1997

Joe Peek
Office: Carney 141, x3686
Office Hours: Tu. & Th.:
2:30-4:30 pm and by appmt.

TEXT: Robert J. Gordon, *Macroeconomics*, 6th edition, HarperCollins, 1993.

I will also provide topical material from time to time as outside readings. All assignments are to be read before the classes during which they will be discussed.

Course Description: The basic subjects of this course are the causes, consequences, and cures of inflation and unemployment. The course begins with a review of national income accounting and elementary income determination and uses the model to examine the consequences of monetary and fiscal policy. Initially the price level is assumed to be fixed but then the course becomes more realistic and examines the causes of price inflation. After studying the causes of inflation, the course turns to the reasons for high unemployment, the consequences of inflation, and the cures for inflation. The course concludes by considering current policy issues.

Teaching Methodology: The course is conducted as a lecture class, but students are encouraged to ask questions. Students are expected to have done the reading before coming to class. From time to time, I will hand out articles from newspapers and magazines on current issues to be discussed in class.

Methods of Evaluation:

Problem sets: There will be three required problem sets.

Quizzes: Five short (10 minute) quizzes on specific chapters will be given in class.

Exams:

Exam I: Chapters 1-5; immediately following completion of Chapter 5
(approximately the fourth full week of classes)

Exam II: Chapters 6-11; immediately following completion of Ch.11.

Final Exam: Comprehensive, **Thursday, May 8, 9:00 a.m.**

Grades: There will be 240 total possible points: Exam 1 (50); Exam 2 (50); final exam (100); total of best 4 out of 5 quizzes (40). You will not receive points for the problem sets, but they must each be turned in to qualify you to take the Exams.

Supplementary Readings

Chapter 5:

Adrian W. Throop, "The Federal Budget Deficit, Saving and Investment, and Growth," *FRBSF Weekly Letter*, Sept. 17, 1993.

John P. Judd, "Deficits: Twins or Distant Cousins?," *FRBSF Weekly Letter*, Oct. 6, 1989.

Adrian W. Throop, "The Lonesome Twin," *FRBSF Weekly Letter*, April 2, 1993.

Owen F. Humpage, "Are the Japanese to Blame for Our Trade Deficit?," FRB Cleveland *Economic Commentary*, June 15, 1994.

Arthur J. Rolnick and Warren E. Weber, "A Case for Fixing Exchange Rates," FRB Minneapolis *1989 Annual Report*.

Chapter 10:

W. Lee Hoskins, "Defending Zero Inflation: All for Naught," FRB Cleveland *Economic Commentary*, April 1, 1991.

Timothy Cogley, "Monetary Policy in a Low Inflation Regime," *FRBSF Weekly Letter*, April 1, 1994.

Chapter 13:

Carl E. Walsh, "Selling Government Assets," FRB San Francisco *Weekly Letter*, May 16, 1986.

Milton Friedman, "The Taxes Called Deficits," *Wall Street Journal*, April 26, 1984.