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Economics 202.04, Spring 1999

# Macroeconomic Theory

**Class Web Page:** [http://www2.bc.edu/~gakidis/classes/202\\_s99/](http://www2.bc.edu/~gakidis/classes/202_s99/) All the problem sets, their solutions, as well as the exam solutions will be made available on the class web page. They will NOT be brought to class. In addition, any announcements will be posted on the web page, so that it is recommended that you check it regularly.

**Teaching Assistant:** To be announced on class web page.

**Course Schedule:** M,W 3:00pm-4:15pm, Cushing 210

**Final Exam:** Tue, May 11, 12:30pm

**Overview:** The goal of this class is to provide you with a set of analytical tools which will allow you to understand changes that affect the entire economy (as opposed to, say, changes affecting only specific industries or specific classes of workers). We will define concepts such as unemployment, output growth, interest rates and inflation, and study how they are determined and why they change. The course will be broken down by the horizon in which we are interested. As you will soon find out, different factors come into play depending on the time horizon we are interested in. We will start by examining how the economy may move from one quarter to the next (the short run), then we will examine what happens over the course of a couple of years (the medium run) and finally we will study what determines the behavior of the economy over long periods of time such as decades (the long run). As time permits, we will examine specific issues that are currently relevant, such as the Brazilian crisis and the European monetary union.

**Readings:** The required text for this class is *Macroeconomics* by Olivier Blanchard. It is also suggested that you get in the habit of following the economy by reading either the weekly magazine *The Economist* or by reading the Business Page of the *New York Times*. You will be expected to follow the major economic news stories from around the world. Occasionally, I will bring handouts from newspapers to class for discussion.

**Requirements:** The course is based on 6 problem sets (of which we will count the best 5), two in-class quizzes, and a comprehensive final exam. The final exam counts for 30% of your grade, each quiz for 15%, and the problem sets count for the remainder 40%.

**Problem Sets:** You are responsible for downloading the problem sets on time and bringing them to class on their due date. Problem sets are due in class, and will not be accepted if dropped off. Absolutely **no late problem sets** will be accepted. You are allowed to cooperate on problem sets but each student must turn in an original problem set. Identical problem sets will receive a grade of zero.

**Exams:** There will be no make-up exams. If you are forced to miss an exam you will have to provide documentation from the Dean of your school (as well as your physician, if applicable). In that case, the grade for the exam you missed will be replaced by your average grade. Otherwise, you will receive a zero for that exam.

**Attendance:** You are expected to attend each class, and notify the TA if you have to miss any classes.

**Schedule:** The schedule of the covered chapters is tentative. However, the problem set and quiz dates are NOT. Problem sets will go online by the end of the day indicated on the schedule. They are due in class on the day indicated on the schedule. There will not be any reminders beyond this schedule.

Wed	1.20	<b>Intro</b>	Ch.1	
Mon	1.25	<b>Short Run</b>	Ch.2: Economic Data	
Wed	1.27		Ch.3: Goods Market	PS #1 online
Mon	2.1		Ch.4: Goods Market (Dynamics)	
Wed	2.3		Ch.5: Financial Markets	<b>PS #1 DUE</b> PS #2 online
Mon	2.8		Ch.5: Financial Markets REVIEW	
Wed	2.10		Ch.6: IS-LM Model	<b>PS #2 DUE</b>
Mon	2.15		Ch.6: IS-LM Model	PS #3 online
Wed	2.17		Ch.6: IS-LM Model	
Mon	2.22	SR: Expectations	Ch.7: Expectations Basics REVIEW	<b>PS #3 DUE</b>
Wed	2.24		<b>QUIZ #1</b>	<b>QUIZ #1</b>
			<b>SPRING BREAK</b>	
Mon	3.8		Ch.8: Consumption, Investment	

			REVIEW	
Wed	3.10		Ch.9: The stock market	
Mon	3.15		Ch.10: IS-LM w/ expectations	PS #4 online
Wed	3.17	SR: International	Ch.10: IS-LM w/ expectations Ch.11: Openness	
Mon	3.22		Ch.11: Openness Ch.12: Open Economy Goods Mkt	<b>PS #4 DUE</b>
Wed	3.24		Ch.12: Open Economy Goods Mkt	
Mon	3.29		Ch.13: Output, the Interest Rate and the Exchange Rate	PS #5 online
Wed	3.31		Ch.13: Output, the Interest Rate and the Exchange Rate	
			<b>EASTER BREAK</b>	
Wed	4.7		Ch.14: Exchange Rate Movements and Crises REVIEW	<b>PS #5 DUE</b>
Mon	4.12		<b>QUIZ #2</b>	<b>QUIZ #2</b>
Wed	4.14	<b>MEDIUM RUN</b>	Ch.15 The Labor Market	
			<b>PATRIOTS DAY</b>	
Wed	4.21		Ch.16 Aggregate Supply and Aggregate Demand	PS #6 online
Mon	4.26		Ch.16 Aggregate Supply and Aggregate Demand	
Wed	4.28		Ch.16 Aggregate Supply and Aggregate Demand	<b>PS #6 DUE</b>
Mon	5.3	<b>LONG RUN</b>	Ch.17 The Phillips Curve Ch.22 Growth REVIEW	
			<b>STUDY DAYS</b>	
Tue	5.11		<b>FINAL EXAM</b>	<b>FINAL EXAM</b>