Macroeconomic Theory - Honors

Purpose of Course: This course covers the theory and practice of modern macroeconomics. We will focus on the underlying determinants of economic growth, unemployment and inflation by developing and assessing a variety of simple models. A central feature of the course includes understanding the ability and limitations of macroeconomic policy for stabilizing the business cycle and promoting long-term growth.

Prerequisites: Students will have successfully completed EC 131-132, Principles of Economics.

Office Hours: I will hold office hours on Tuesday and Thursday afternoons from 2:00 to 3:00 in room 485 of Maloney Hall. You are welcome to make an appointment for other times. My office phone number is 552-3688 and my e-mail address is murphyro@bc.edu.

Textbooks: Macroeconomics, eighth edition, by N. Gregory Mankiw. Worth Publishers, 2013 available at the BC Bookstore (or direct from the publisher or Amazon). I have also ordered the EconPortal to accompany the text (which comes free with the textbook but is available for purchase separately). I ask that try to do each chapter’s exercises under the “Learning Curve” feature of the EconPortal prior to the class where we will discuss the material. Although I won’t grade these exercises, I think they will reinforce your learning. In addition, Worth Publishers has a web site that accompanies the textbook (http://bcs.worthpublishers.com/mankiw8) where you will find some useful materials. Finally, I will post problem sets on the course website, which you will find on my homepage (http://www2.bc.edu/robert-murphy). The problems are drawn from the ends of each chapter of the textbook. Answer keys will be posted following the due dates listed. These problem sets are to be handed in during class on the due dates and will be graded on a pass-fail basis. I urge you to work through these problems and check the answer keys. You may work together on the problem sets.

Supplements and Current Economic News: I have prepared a set of Supplements for the course and will post them on the course web page. These Supplements will often go into more depth than the textbook or highlight issues not directly covered in the text. Each week, we will discuss some of these in class and I have noted the relevant ones on the course outline. I also encourage you to follow current economic issues by reading on a daily basis one of the major national newspapers (e.g., The Wall Street Journal, The New York Times, and The Washington Post). Fortune, Business Week and the Economist magazines also are good sources for keeping up on economic events. We frequently will discuss in class the relevant economic news of the day.
Grading: Your grade for the course will be based on two mid-term exams (30% each) to be given on **TUESDAY, FEBRUARY 19 AND THURSDAY, APRIL 4** in class and a final exam (40%) to be given on **FRIDAY, MAY 10 at 12:30 P.M.** Makeup exams will not be given. If you must miss an exam (but only with an excuse ahead of time), your grade will be based on the other exam and final exam. Problem sets will be used to adjust grades on the borderline between levels.

**Course Outline**

**Part I. Introduction**

1. The Science and Data of Macroeconomics, Mankiw, Ch. 1 & 2. (Jan. 15, 17)
   Supplements 1-2, 1-3, 2-1, 2-4, 2-6, 2-7, 2-8, 2-9, 2-10, 2-11, and 2-12.

**Part II. The Economy in the Long Run**

2. Determination of National Income: Sources and Uses, Mankiw, Ch. 3. (Jan. 22)
   Supplements 3-4, 3-5, 3-6, 3-7, and 3-8.

3. The Monetary System and Inflation, Mankiw, Ch. 4 & 5. (Jan. 24, 29)
   Supplements 4-1, 4-2, 4-3, 4-4, 4-5, 5-2, 5-3, 5-6, 5-7, 5-8, 5-9, 5-10, 5-11, 5-13, 5-16.

4. The Open Economy, Mankiw, Ch. 6. (Jan. 31)
   Supplements 6-1, 6-2, 6-4, 6-7, 6-8, 6-9, and 6-10.

5. The Determinants and Patterns of Unemployment, Mankiw, Ch. 7. (Feb. 5)
   Supplements 7-1, 7-2, 7-3, 7-4, 7-7, 7-8, 7-9, 7-13, and 7-14.

**Part III. The Economy in the Very Long Run**

6. Economic Growth, Mankiw, Ch. 8 & 9. (Feb. 7, Feb. 12)
   Supplements 8-1, 8-2, 8-3, 8-4, 8-5, 8-6, 8-7, and 8-8.

7. Review Session (Feb. 14)

******FIRST EXAM TUESDAY, FEBRUARY 19 IN CLASS******

**Part IV. The Economy in the Short Run**

8. Introduction to Economic Fluctuations, Mankiw, Ch. 10. (Feb. 21)
   Supplements 10-8, 10-1, 10-2, 10-3, 10-4, 10-6, 10-7, and 10-9.

9. Aggregate Demand, Mankiw, Ch. 11 & 12. (Feb. 26, 28)
   Supplements 11-2, 11-3, 12-1, 12-2, 12-3, 12-4, 12-5, 12-6.

No Class March 5 & 7 – Spring Break
10. Aggregate Demand in the Open Economy, Mankiw, Ch. 13. (Mar. 12)  

Supplements 14-1, 14-2, 14-3, 14-4, 14-5, 14-7, 14-8, 14-9, 14-10, and 14-12.

**Part V. Topics in Macroeconomic Theory**

12. A Dynamic Model of Aggregate Demand and Supply, Ch. 15. (Mar. 21, Mar. 26)  
Supplements 15-1, 15-3, 15-5, 15-6, and 15-7

**No Class March 28 – Easter Break**

13. Review Session (Apr. 2)

******SECOND EXAM THURSDAY, APRIL 4 IN CLASS******

14. Consumption, Mankiw, Ch. 16. (Apr. 9)  
Supplements 16-1 to 16-6.

15. Investment, Mankiw, Ch. 17. (Apr. 11)  

**Part VI. Topics in Macroeconomic Policy**

16. Stabilization Policy, Mankiw, Ch. 18. (Apr. 16, Apr. 18)  
Supplements 18-1, 18-4, 18-6, 18-7, and 18-10 to 18-18.

17. Government Debt and Budget Deficits, Mankiw, Ch. 16. (Apr. 23, Apr. 25)  
Supplements 19-1 to 19-11.

18. The Financial System and Financial Crises (Apr. 30)  
Supplements 20-1 to 20-13.

19. Review Session (May 2)

******FINAL EXAM FRIDAY, MAY 10 at 12:30 P.M., GASSON 304******