

BOSTON COLLEGE  
Department of Economics

EC 202 Macroeconomic Theory  
Spring 2003  
Class: T & Th 10:30 Carney 203  
<http://www2.bc.edu/~murphyro>

Professor Bob Murphy  
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### Macroeconomic Theory

Purpose of Course: This course covers in detail 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 1:15 to 2:15 in room 485 of the new Administration Building. 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](mailto:murphyro@bc.edu).

Textbooks: Macroeconomics, fifth edition, by N. Gregory Mankiw, Worth Publishers, 2003, available at the BC Bookstore. I have also ordered the Student Guide and Workbook to accompany the text. I will not assign problems from the workbook, but I urge you to purchase and use it. In addition, Worth Publishers has a web site that accompanies the textbook (<http://www.worthpublishers.com/mankiw>) on which you will find some useful materials. I encourage you to explore the site and may assign some items during the semester. Finally, I will post problem sets on the course website that are drawn from the problems at the ends of each chapter of the textbook. Answer keys will be posted following the due dates listed. These problems will not be graded, but I urge you to work through them and check the answer keys.

Current Economic News: Occasionally, I will hand out or direct you to additional readings on current policy issues. I may also post materials on the course web page, which you will find on my homepage: <http://www2.bc.edu/~murphyro>. I 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 and Business Week magazines are also 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 a mid-term exam (40%) to be given on **THURSDAY FEBRUARY 27** in class and a final exam (60%) to be given on **MONDAY MAY 5 at 12:30 P.M.** Makeup exams will not be given. If you must miss the mid-term exam (but only with an excuse ahead of time), your grade will be based entirely on the final exam.

## Course Outline

### **Part I. Introduction**

1. The Science and Data of Macroeconomics, Mankiw, Ch. 1 & 2. (Jan. 14)

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

2. Determination of National Income: Sources and Uses, Mankiw, Ch. 3. (Jan. 16)
3. Money and Inflation in the Long Run, Mankiw, Ch. 4. (Jan. 21)
4. International Trade in Goods and Capital, Mankiw, Ch. 5. (Jan. 23)
5. The Determinants and Patterns of Unemployment, Mankiw, Ch. 6. (Jan. 28)

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

6. Economic Growth, Mankiw, Ch. 7 & 8. (Jan. 30, Feb. 4)

**-- No Class on February 6 --**

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

7. Introduction to Economic Fluctuations, Mankiw, Ch. 9. (Feb. 11)
8. Aggregate Demand, Mankiw, Ch. 10 & 11. (Feb. 13)
9. Aggregate Demand in the Open Economy, Mankiw, Ch. 12. (Feb. 18)
10. Aggregate Supply and Inflation, Mankiw, Ch. 13. (Feb. 20)
11. Review Session (Feb. 25)

**\*\*\*\*\*MID-TERM EXAM THURSDAY FEBRUARY 27 IN CLASS\*\*\*\*\***

### **Part V. Macroeconomic Policy Debates**

12. Stabilizing the Business Cycle, Mankiw, Ch. 14. (Mar. 11, 13, 18)
13. Government Deficits and the Public Debt, Mankiw, Ch. 15. (Mar. 20, 25)

### **Part VI. The Microeconomic Details Behind the Macroeconomic Picture**

14. Consumption, Mankiw, Ch. 16. (Mar. 27, Apr. 1)

15. Investment, Mankiw, Ch. 17. (Apr. 3, 8)

16. Money Supply and Money Demand, Mankiw, Ch. 18. (Apr. 10, 15)

**--No Class on April 17 – Easter Break--**

17. Frontier Issues in Macroeconomics, Mankiw, Ch. 19 and Epilogue. (Apr. 22, 24).

18. Review Session. (Apr. 29)

**\*\*\*\*\*FINAL EXAM MONDAY MAY 5, at 12:30 P.M. Carney 203 \*\*\*\*\***