

**Boston College**  
Department of Economics

Macroeconomic Theory  
EC 202  
Spring 2003

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Also by appointment

**Macroeconomic Theory**

This course in macroeconomic theory is a sequel to your Principles course. In the first few classes we will review many of the topics you learned in Principles such as the behavior and measurement of key macro variables. We will also overview the basic models of the macro economy that we will investigate in more detail later in the course. These models include Classical, Keynesian, and Real Business Cycle Theory. In each class, we will discuss current events and apply our theories to help us understand world events more clearly.

**Text:**

Macroeconomics--Theories and Policies, by Richard T. Froyen, Prentice Hall Publishing Company. The text is available at the Boston College Bookstore.

**Supplementary Readings:**

Any major newspaper. Suggestions: Boston Globe, New York Times, Wall Street Journal.  
There will also be several fascinating econometric articles assigned during the semester.

**Course Requirements:** The requirements for the course (and approximate grade weights) are:

Two quizzes. Thursday, February 13<sup>th</sup> and Tuesday, April 15<sup>th</sup>. 10% each.  
Midterm Thursday February 27<sup>th</sup>. 30%  
Class Participation and Problem Sets. 10%  
Final Exam--Exam Week. 40%

If school happens to be canceled (e.g. snow day) on the day of a scheduled exam, the exam will be given the next class meeting. There are no make up exams. If there is an excused absence from an exam, i.e. documentation from the dean, the following or previous exam will be weighted more heavily.

**Academic Integrity:**

I expect all students to do only their own work on exams and quizzes, and to make a serious individual effort on the problem sets. Any breach of academic integrity (e.g. cheating on a quiz) will result in a failure for the *entire class*. We will discuss collaboration on the problem sets in class.

## Course Outline:

### **Part I Introduction and Measurement**

1. Introduction (Chapter 1)  
The big picture, What is Macro? Some numbers. Central questions.
2. Measurement of Macro Variables (Chapter 2)  
National Income Accounts, Measuring price changes, Real vs. Nominal GDP.

### **Part II Macroeconomic Models**

3. Classical Macro (I): Equilibrium, Output, and Employment (Chapter 3)
4. Classical Macro (II): Money, Prices, and Interest (Chapter 4)
5. The Keynesian System (I): The Role of Aggregate Demand (Chapter 5)
6. The Keynesian System (II): Money Interest and Income (Chapter 6)
7. The Keynesian System (III): Policy Effects in the IS-LM Model (Chapter 7)
8. The Keynesian System (IV): Aggregate Supply and Demand (Chapter 8)
9. The Monetarist Counterrevolution (Chapter 9)
10. Output, Inflation, Unemployment: Alternative Views (Chapter 10)
11. New Classical Economics (Chapter 11)
12. Real Business Cycles, and New Keynesian Economics (Chapter 12)
13. Macroeconomic Models: A Summary (Chapter 13)

### **Part III Open Economy Macro**

14. Exchange Rates, Monetary and Fiscal Policy (Chapters 14, 15)

### **Part IV Economic Policy**

15. Money Supply and Monetary Policy (Chapters 16, 17)
16. Fiscal Policy (Chapter 18)
17. Consumption and Investment (Chapter 20)