

BOSTON COLLEGE  
Department of Economics

EC 204 Macroeconomic Theory - Honors  
Spring 2009  
Class: T & Th 10:30, Campion 328  
<http://www2.bc.edu/~murphyro>

Professor Bob Murphy  
21 Campanella Way, Room 485, 552-3688  
Office Hours: T & Th 10:30-11:30  
E-mail: [murphyro@bc.edu](mailto:murphyro@bc.edu)

### **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 mornings from 10:30 to 11:30 in room 485 of 21 Campanella Way. 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, sixth edition, by N. Gregory Mankiw, Worth Publishers, 2007, 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 use it. In addition, Worth Publishers has a web site that accompanies the textbook (<http://bcs.worthpublishers.com/mankiw6>) 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 problem sets are to be handed in after class on the due dates and will be graded on a pass-fail basis. I urge you to work through them 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, which you will find on my homepage: <http://www2.bc.edu/~murphyro>. These Supplements will often go into more depth than the textbook or highlight issues not directly covered in the text. From time to time, 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 17 AND TUESDAY, MARCH 24** in class and a

final exam (40%) to be given on **TUESDAY, MAY 5 at 9:00 A.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, 20)  
Supplements 1-2, 1-3, 2-1, 2-2, 2-4, 2-7, 2-8, 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 3-1, 3-4, 3-5, 3-6, 3-7, and 3-8.
3. Money and Inflation in the Long Run, Mankiw, Ch. 4. (Jan. 27)  
Supplements 4-2, 4-5, 4-8, 4-9, 4-10, 4-11, 4-12, 4-13, 4-14, and 4-16.
4. International Trade in Goods and Capital, Mankiw, Ch. 5. (Jan. 29)  
Supplements 5-1, 5-2, 5-3, 5-4, 5-6, 5-7, 5-8, 5-9, and 5-10.
5. The Determinants and Patterns of Unemployment, Mankiw, Ch. 6. (Feb. 3)  
Supplements 6-1, 6-2, 6-3, 6-4, 6-6, 6-7, 6-8, 6-9, 6-13, and 6-14.

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

6. Economic Growth, Mankiw, Ch. 7 & 8. (Feb. 5, Feb. 10)  
Supplements 7-1, 7-2, 7-3, 7-4, 7-5, 7-6, 7-7, and 7-8.  
Supplements 8-1, 8-2, 8-3, 8-4, 8-7, 8-8, and 8-9.
7. Review Session (Feb. 12)

**\*\*\*\*\*FIRST EXAM TUESDAY, FEBRUARY 17 IN CLASS\*\*\*\*\***

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

8. Introduction to Economic Fluctuations, Mankiw, Ch. 9. (Feb. 19)  
Supplements 9-8, 9-1, 9-2, 9-3, 9-4, 9-6, 9-7, and 9-9.
9. Aggregate Demand, Mankiw, Ch. 10 & 11. (Feb. 24)  
Supplements 10-2, 10-3, 11-1, 11-2, 11-3, 11-4, and 11-5.
10. Aggregate Demand in the Open Economy, Mankiw, Ch. 12. (Feb. 26)  
Supplements 12-1, 12-2, 12-4, 12-6, 12-7, 12-8, 12-9, 12-10, 12-11, 12-12, and 12-13.

**No Class March 3 & 5 – Spring Break**

11. Aggregate Supply and Inflation, Mankiw, Ch. 13. (Mar. 10)  
Supplements 13-1, 13-3, 13-4, 13-5, 13-6, 13-7, 13-8, 13-9, and 13-11.
12. A Dynamic Model of Aggregate Demand and Supply, Handout. (Mar. 12, Mar. 17)
13. Review Session (Mar. 19)

**\*\*\*\*\*SECOND EXAM TUESDAY, MARCH 24 IN CLASS\*\*\*\*\***

**Part V. Macroeconomic Policy Debates**

14. Stabilizing the Business Cycle, Mankiw, Ch. 14. (Mar. 26, Mar. 31)  
Supplements 14-2, 14-3, 14-5, 14-6, 14-8, 14-7, and 14-9 to 14-17.
15. Government Deficits and the Public Debt, Mankiw, Ch. 15. (Apr. 2, Apr. 7)  
Supplements 15-1 to 15-11.

**No class on April 9 – Easter Break****Part VI. The Microeconomic Details Behind the Macroeconomic Picture**

16. Consumption, Mankiw, Ch. 16. (Apr. 14)  
Supplements 16-1 to 16-6.
17. Investment, Mankiw, Ch. 17. (Apr. 16)  
Supplements 17-1, 17-3, 17-4, 17-5, 17-6, 17-8 to 17-14.
18. Money Supply and Money Demand, Mankiw, Ch. 18. (Apr. 21, 23)  
Supplements 18-1 to 18-4.
19. Frontier Issues in Macroeconomics, Mankiw, Ch. 19 and Epilogue. (Apr. 28)  
Supplements 19-1 to 19-12.
20. Review Session. (Apr. 30)

**\*\*\*\*\*FINAL EXAM TUESDAY, MAY 5 at 9:00 A.M., Campion 328\*\*\*\*\***