

ECONOMICS 3202
MACROECONOMIC THEORY AND POLICY
Spring, 2004

INSTRUCTOR: B. Finzel

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O-HOURS: MF 11:00-12:00,

T 2:00-3:00, or by appointment

COURSE SYNOPSIS:

Economic growth, inflation and unemployment are important determinants of economic decisions and important indicators of general standards of living. The severe historical fluctuations of these measures has resulted in a body of inherited and developing knowledge concerning:

- appropriate conceptualization of these indicators
- the impact on individuals of these indicators
- understanding the fluctuations of these indicators
- whether policy alternatives can be usefully employed to improve the situation.

The objective of this course is to provide systematic coverage of the competing schools of thought developed around these concerns. This body of knowledge is macroeconomics.

PREREQUISITES:

All students are expected to command a thorough working knowledge of basic algebraic concepts and their geometric representations. In addition, students are expected to have satisfactorily completed principles of economics and to have retained knowledge of the issues considered and the analytical techniques employed.

* * Students lacking these prerequisites should consult with the instructor and/or reconsider their enrollment in the course * *

TEXTBOOK:

Required: R. Gordon, Macroeconomics, 9th ed., (Reading,MA: Addison Wesley Longman, 2003).

* * The textbook should be treated as a supplement to the lectures, not as a substitute for them * *

OUTLINE, READINGS AND ASSIGNMENTS *

I. INTRODUCTION

A. Macroeconomic Concerns and the Historical Record

Reading: Chpt. 1

B. Terminology and Measurement

Reading: Chpt. 2

II. MACROECONOMIC THEORY

A. A Review of the Simple Keynesian Model

Reading: Chpt. 3, including the appendix

B. IS/LM Analysis

Reading: Chpt. 4.

C. Monetary and Fiscal Policy if Prices were Fixed

Reading: Chpt. 5, including appendix

*****EXAM # 1*****

D. International Constraints and Macroeconomic Policy

Reading: Chpt. 6

III. Interest Rates, Output, AND Prices

A. Aggregate Demand/Supply and the Classical's Self-correcting Mechanism

Reading: Chpt. 7.

B. The Failure of Self-correction and the Keynesian Critique.

Reading: Chpt. 7.

C. The Historical Arguments revisited: What's Old is New Again.

Reading: Chpt. 17

*****EXAM # 2*****

IV. Pathologies: Inflation and Unemployment

A. Inflation: Causes and Policy Options

Reading: Chpt. 8.

B. Inflation: Reducing the Cost

Reading: Chpt. 9, pp. 271 -290.

- C. Unemployment: Types, Measures and Costs
Reading: Chpt 9, pp. 291-302.
- D. Stabilization Policy
Reading: Chpt. 14
- V. Beyond Stabilization Policy: Productivity Growth
 - A. The Solow Model and New Growth Theory
Reading: Chpt. 10, inc. the appendix.
 - B. Seeking answers to the Big Questions
Reading: Chpt. 11
- VI. Conclusion?
Reading: Chpt 18.

** additional reading on current policy will be assigned from time to time.*

REQUIREMENTS AND GRADING:

All students are required to take both of the preliminary examinations indicated on the foregoing outline and the final examination. In addition, students will participate in a series of policy debates to be held throughout the class (instructions will be provided the second week of class).

The final letter grade will be determined from the following weighted average:

Hourly exams	50%
Final Exam	30%
Debates	20%

Class participation and attendance can make a difference in the letter grade in border line cases.

The grades given in this course will conform to the following:

A -- achievement that is outstanding relative to the level necessary to meet course requirements. B -- achievement that is significantly above the level necessary to meet course requirements. C -- achievement that meets the course requirements in every respect. D -- achievement that is worthy of credit even though it fails to meet fully the course requirements. S -- achievement that is satisfactory, which is equivalent to a C- or better (achievement required for an S is at the discretion of the instructor but may be no lower than a C-).

MAKE-UPS MISSING OR LATE WORK AND ALL THAT

Make-ups for examinations will be granted ONLY in exceptional cases and ONLY to those who inform the instructor PRIOR to the exam AND provide written justification (i.e. a note from your doctor, advisor, etc.).

I will make every effort to make reasonable accommodations for any student with a disability.
Please let me know if you have special needs.