COURSE SYLLABUS
Macroeconomic Theory and Policy
API-121
Fall 2002

ADMINISTRATIVE INFORMATION:
Faculty: Suzanne Cooper
Office: L112
Phone: 5-0390
Office Hours: Wednesdays, 2-4 p.m.
Thursdays, 1-3 p.m.
Faculty Asst.: Kate Regnier, L376A, 5-9528
Schedule: Tuesdays and Thursdays, 10:10-11:30 a.m. in L140
Review Session Fridays 11:40 a.m.-1 p.m. in L140

COURSE DESCRIPTION: This course will teach students the basic tools of macroeconomics and apply them to real world economic policy. The goals of the course are for students to (a) understand how to evaluate macroeconomic conditions such as unemployment, inflation, and growth (b) understand how monetary policy and fiscal policy can be used to influence short-run macroeconomic conditions (c) understand media accounts of macroeconomic events. The course will cover a broad range of topics in macroeconomic policy. Examples of issues to be discussed include the role of fiscal and monetary policies in stabilizing the economy, the relationship between inflation and unemployment, the role of government policy in promoting long-term economic growth, monetary and fiscal policies in an open economy, European Monetary Union, deficits, and stabilization and reform.

The course will be structured around the tools (models) of macroeconomics, using primarily graphs, and occasionally equations. However, motivation for these tools, and examples of their use will always be taken from current and recent real-world macroeconomics events and conditions.

AUDIENCE: This course is intended for students who are interested in learning and applying macroeconomic models of the economy to addressing current issues in macroeconomic policy. Previous exposure to economics at the level of API-101 is recommended.

REQUIREMENTS:
Students will be expected to prepare assigned readings before class.

Students will be assigned problem sets throughout the course in order both to reinforce the use of tools for policy analysis and to expand the issues analyzed beyond those in the classroom. Late problem sets will receive only half credit, and under no circumstances will use of distributed answers be acceptable. Students are encouraged to work in small groups (2-3 students), but each student must write up his or her answers separately, and must indicate the names of other members of the study group on the assignment. All assignment grades count; in this course the lowest assignment grade is NOT dropped.
In addition, there will be a midterm and a final exam, both closed-book.

Course grades will be based on these types of assignments as follows: Problem Sets: 30%, Midterm: 30%, Final Exam: 40%.

**MATERIALS:** Readings will come primarily from a text, *Macroeconomics, Fifth Edition*, by N. Gregory Mankiw, New York: Worth Publishers, 2002. If students have access to an earlier edition of this book and do not want to purchase the fifth edition, that is fine. I can provide comparable chapter numbers for earlier versions to assist you. The text is available at the Coop. Due to the cost, I have listed it as "recommended" at the Coop, and have provided as many copies as possible to the KSG library. I do expect that you will do the readings from the text, but I do not expect that everyone will purchase the text.

Other than this book, the course will use a collection of other required readings, most of which will be available electronically from the course pages. Readings will include discussions of economic policy by government policymakers, non-government economists, and the press. In addition, copies of optional readings, which go into further depth on some topics, will be available in a packet on reserve in the KSG library.

In addition, students will be assigned readings from current periodicals, as they become available. Students are strongly encouraged to keep up-to-date with current macroeconomic events with a periodical such as The New York Times, The Wall Street Journal, The Economist, or another periodical with frequent coverage of economics news. These are all available online and in the KSG library.
COURSE OUTLINE:

(R-E): Required, available electronically from the course page

(R-Lex): Required, available from Lexis at

(O): Optional, available in KSG library

Thurs., Sept. 12  Introduction to Macroeconomic Policy Issues and Data

Reading:
Mankiw, Chapters 1-2

(R-E) "Economic Indicators for Consumers: Key Measures of Consumer Well-Being to
Watch for in the New Media," Federal Reserve Bank of Richmond.
http://www.rich.frb.org/pubs/econind/

(O) Chriszt, Michael J., "Are International Comparisons of Inflation and Employment
1993, pp. 23-36.

(O) Steindel, Charles, "Are There Good Alternatives to the CPI?" Current Issues in
Economics and Finance, Federal Reserve Bank of NY, April 1997, v.3 no.6,
pp. 1-6.

Tues., Sept. 17  The Macroeconomy in the Long Run I

Reading:
Mankiw, Chapter 3


Reserve Bank of Richmond, v. 84, Winter 1998, pp. 45-64.

Thurs., Sept. 19  The Macroeconomy in the Long Run II

Reading:

(R-E) "Britain: Waiting for the New Economy," The Economist, Oct. 14, 2000,
pp. 70-71.

Tues., Sept. 24  Unemployment in the Long Run

Reading:
Mankiw, Chapter 6
http://www.ny.frb.org/rmaghome/curr_iss/ci7-5.pdf

Thurs., Sept. 26  Money, Inflation, and Interest Rates in the Long Run

Reading:
Mankiw, Chapter 4, Chapter 9.2
http://www.clev.frb.org/research/com99/0801.htm

Tues., Oct. 1  Central Banks and Monetary Policy

Reading:
Mankiw, Chapter 18.1

Thurs., Oct. 3  Short Run Economic Fluctuations

Reading:
Mankiw, Chapter 9, except 9.2
(R-E) "Defining a Downturn," The Economist, Aug. 4, 2001, p.62.

Tues., Oct. 8  The Keynesian Model of Fluctuations and the Role for Government Policy I

Reading:
Mankiw, Chapter 10.1
(R-E) "Poor Planning," The Economist, March 10, 2001, p.64.

Thurs., Oct. 10 The Keynesian Model of Fluctutations and the Role for Government Policy II
Reading: Mankiw, Chapter 10.2

Tues., Oct. 15 The Keynesian Model of Fluctutations and the Role for Government Policy III
Reading: Mankiw, Chapter 10.3

Thurs., Oct. 17 The Keynesian Model of Fluctutations and the Role for Government Policy IV
Reading: Mankiw, Chapter 11.1-11.2

Tues., Oct. 22 Recessions and Policy Goals

Thurs., Oct. 24 Review for Midterm Exam

Tues., Oct. 29 Midterm Exam

Thurs., Oct. 31 The Open Economy - Introduction
Reading: Mankiw, Chapter 5
Tues., Nov. 5  The Open Economy in the Short Run I

Reading:
(R-E) Lecture Notes on the Mundell-Fleming Model
(O) Mankiw, Chapter 12

Thurs., Nov. 7  The Open Economy in the Short Run II

Reading:
(R-E) ”Currency Dilemmas,” The Economist, Nov. 18, 2000, p.90.

Tues., Nov. 12  European Monetary Union

Reading:
Mankiw, Chapter 12.5

Thurs., Nov. 14  Inflation and Unemployment I

Reading:
Mankiw, Chapter 13
(O) “Revised OECD Measures of Structural Unemployment,” OECD Economic


Tues., Nov. 19  Inflation and Unemployment II

Reading:
Mankiw, Chapter 14


(O) Mankiw, Appendix to Ch. 14.

Thurs., Nov 21 Economic Growth and Convergence Across Countries I

Reading:
Mankiw, Chapter 7


Tues., Nov. 26 Economic Growth and Convergence Across Countries II

Reading:
Mankiw, Chapter 8


Thurs., Nov. 28 NO CLASS. THANKSGIVING HOLIDAY

Tues., Dec. 3 Deficits and Debt

Reading:
Mankiw, Chapter 15


Thurs., Dec. 5  
**Stabilization and Reform**

Reading:

Tues., Dec. 10  
**“What We Know / What We Don’t”**

Reading:
Mankiw, Epilogue

Thurs., Dec. 12  
**Final Exam Review**
## SCHEDULE OF ASSIGNMENTS

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