Spring 2013

M. Finkler

INTERMEDIATE MACROECONOMIC THEORY

Office: Briggs Hall 216

Phone: Ext. 6664

Office Hours: 1:00 to 2:20 TR or by appointment.

Texts: Mankiw, N. Gregory, *Macroeconomics*, 8th edition, Worth Publishing Co., 2013.

<http://www.worthpublishers.com/Catalog/product/macroeconomics-eighthedition-mankiw/formatsandpackages/formats>

*Economic Report of the President 2013* [*http://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-President/2013*](http://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-President/2013)

This course focuses on the historical development and application of simple mathematical and graphical models to understand economic growth and fluctuations, particularly those in the United States. Various models will be assessed for their ability to account for past economic patterns as well as to predict the effects of various macroeconomic policies on gross domestic product (GDP), prices, interest rates, and unemployment.

The author of the text for the course, N. Gregory Mankiw, served as chair of the Council of Economic Advisors under President George W. Bush from 2003 to 2005 and, thus, was chief author of its annual report, published with the *Economic Report of the President* during that time period. His text details the rudiments of the two major modeling strategies used by economists in the United States: those based on neoclassical reasoning with price adjustments prominent and those based on Keynesian reasoning with price stickiness as a central feature. We will also take advantage of The *Economic Report of the President 2013,* which provides contemporary context for our discussion as well as a rich source of macroeconomic data. Finally, I have posted links to a number of information sources (including Mankiw’s blog - <http://gregmankiw.blogspot.com/>) in the Useful Links section of my webpage: [***www.lawrence.edu/fast/finklerm***](http://www.lawrence.edu/fac/finklerm)***.***

For the most part, the course follows the text; though some of the models introduced in class will vary from those presented in the text. Problem sets will supplement the lectures and text. Although these problem sets will not be graded, they will serve as substantive material for class discussion and examinations.

Grading will be based on two mid-term examinations and a final exam**.** Each midterm exam will count for 30% of the final grade and the final exam accounts for the remaining 40% of the grade. Exams will be open book and open notes but specifically time limited. Each exam may have a take-home portion*.*

Midterms: Wednesday, April 17th and Wednesday, May 15th

Final exam: Monday, June 3 at 8:00 A.M.

MACROECONOMIC THEORY - Tentative Schedule

**Topic Reading Class Date**

I. **Introduction** M Ch 1 March 25, March 26

Modeling EROP Ch 1 March 27

II. **Measurement** EROP Ch 2

- Income and Expenditures M Ch 2 March 28

- Prices and Inflation " " April 1

- Unemployment M Ch 7 April 2

**III. Basic Models**

Classical Macro - *Model 1* M Ch 3 April 3, 4

Money and Inflation M Ch 4, 5 April 8-10

10 Trade and Exchange Rates M Ch 6 April 11, 15

Review April 16

**Midterm Exam No. 1 April 17**

Economic Growth – Solow Model M Ch 8 April 18

Technical Change & Growth Empirics M Ch 9 April 22

Economic Cycles M Ch 10 April 23

Keynesian Macro - *Model 2* M Ch 11 (pp. 303-317) April 24

IS/LM -*Model 3* M Ch 11 (pp. 317-325) April 25, April 29

Policy Analysis M Ch 12, EROP Ch 3 April 30, May 1

**NO CLASS – Midterm Reading Period (LSB – Chicago Trip) May 2.3**

Mundell – Fleming Model M Ch 13, EROP Ch 7 May 6, 7

AD – AS Model – Model 4 M Ch 14, Appendix May 8, 9

US Labor Market Autor, EROP Ch 4 May 13

Review May 14

**Midterm Exam No. 2 May 15**

**IV. Contemporary Models and Stabilization Policy**

The Phillips Curve and Expected Inflation M Ch 14 (pp. 406-419) May 16

Dynamic AD – AS Model  M Ch 15 May 20, 21

Macroeconomic Stabilization M Ch 18 May 22, 23

Governmental Debt and Deficits M Ch 16, Rogoff/Reinhart May 28

Financial Markets M 20 May 29

# Finish & Review May 30

# Final Exam June 3