

ECON 202 - Intermediate Macro Analysis (Section 1)

Spring 2008

Malhar Nabar

Pendleton Hall 415

781 283 2165

mnabar@wellesley.edu

Office Hours: Mon, 1:30 – 3:00; Thurs, 9:45: – 10:45; or by appointment

Class meetings: Monday, Thursday 11:10 am –12:20 pm, PNE 139. The class will also meet on at least two or three **ALT 1** Wednesdays in the same room at the same time. ALT schedule: <http://www.wellesley.edu/Registrar/ALT1ALT2spg08.html>

Course Description: An analysis of the aggregate economy - the determination of output, inflation and unemployment in the short run and the long run; explanations for the recurrent fluctuations in economy activity from boom to recession; the role of macroeconomic policy through the institutions of the Federal Reserve and the Treasury; the effects of macroeconomic policies under alternative exchange rate regimes.

Readings: Textbook – N. Gregory Mankiw, 2007, *Intermediate Macroeconomics* (6th edition) Worth Publishers. Most of the journal articles on the reading list are available online through JSTOR. Additional readings will also be posted on the course conference

Exams: Two in class exams – March 6th and April 17th. Each counts for 30% of the grade. **IMPORTANT:** In the event of an emergency that prevents you from taking an exam, please first contact your Class Dean or the Health Center and request them to send me an e-mail about the situation. In case of foreseeable conflicts, you are welcome to take the exam early. Please let me know well in advance (i.e. as soon as you discover the conflict). The self-scheduled final exam counts for 30% of the grade.

Homework problem sets: There will be 6 problem sets in total. The contribution of these problem sets to your final grade is 10%. Homework is to be turned in one week after the assignment is handed out. **Detailed answer keys will be distributed as soon as the homework is turned in. It is in your interest to go over these answer keys to make sure that you have understood how to work out each practice problem.** Please note that late homework will not be graded.

Lecture Plan and Reading

Introduction

- | | | |
|---|--------|-----------------------------------------------------------------------|
| 1 | Jan 28 | <i>Macroeconomic issues</i> |
| | | <ul style="list-style-type: none"> • Mankiw, Chapter 1 |

Long Run Concerns – Output, Productivity Growth, Labor Supply

- | | | |
|-------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2 - 8 | Jan 31
Feb 4, 7,
11, 14, 21,
25 | <i>Potential Output; Productivity Growth and the Expansion of Potential Output</i> |
| | | <ul style="list-style-type: none"> • Mankiw, Chapter 2.1, 3, 7, 8 • Background news articles on economic growth in different parts of the world – course conference |

- | | | |
|---|--------|-----------------------------------------------------------------------------------|
| 9 | Feb 28 | <i>Natural Rate of Unemployment, Dependency Burdens</i>
Mankiw, Chapter 2.3, 6 |
|---|--------|-----------------------------------------------------------------------------------|

- | | | |
|----|-------|---------------|
| 10 | Mar 3 | <i>Review</i> |
|----|-------|---------------|

- | | | |
|----|-------|------------------------------------------------------------------------|
| 11 | Mar 6 | MID TERM I (Material covered so far from beginning of semester) |
|----|-------|------------------------------------------------------------------------|

The Role of Money

- | | | |
|----|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12 | Mar 10 | <i>Money and its relationship with real variables in the long run; the Quantity Theory</i> |
| | | <ul style="list-style-type: none"> • Mankiw, Chapter 2.2, 4 • Robert Lucas (1996) “Nobel Lecture: Monetary Neutrality”, <i>Journal of Political Economy</i>, 104, 4. ONLY SECTIONS I AND II pp. 661 – 668. • News article on inflation – course conference |

Short Run Concerns: Business Cycle Fluctuations, Unemployment & Inflation

- 13 - 16 Mar 13, *Aggregate Demand (IS-LM)*
 17, 20, 31 • Mankiw, Chapter 9, 10, 11.
- 17 - 19 Apr 3, 7, *Aggregate Supply / Phillips Curve – sticky wage, imperfect*
 10 *information, and sticky price models*
 • Mankiw, Chapter 13
 • Laurence Ball and Greg Mankiw (2002). “The NAIRU
 in Theory and Practice”, *Journal of Economic*
 Perspectives, 16, 4. ONLY pp. 115 – top of page 120;
 124 – middle of page 132.
- 20 Apr 14 *Review*
- 21 Apr 17 **MID-TERM II (Material covered so far from beginning of**
 semester)

Current Policy Issues and Challenges

- 22-23 **Apr 22** *Demography-related fiscal imbalances*
 (TUE), 24 • Mankiw, Chapter 15
 • Symposium on Social Security (2005), *Journal of*
 Economic Perspectives, 19, 2, pp. 3-55.
- 24 - 25 Apr 28, *Rising Inequality in America: Causes, Consequences and Policy*
 May 1 *Responses*
 • Janet Yellen: Federal Reserve Bank SF Newsletter,
 Dec 2006
- 26 May 5 *Course Review*

SELF SCHEDULED FINAL EXAM