

Economics 21:
Intermediate Macroeconomics
Swarthmore College

Professor Jefferson
Office Hours: Thurs. 1-4pm & by appt.

Spring 1999
Kohlberg 212, x690-6856

COURSE DESCRIPTION:

Industrialized economies are characterized by variations in their rates of unemployment, inflation, and output growth. These variations are often caused by factors that are exogenous to a particular economy or by the macroeconomic policies pursued by a country's monetary and fiscal authorities. In this course, we will develop tools that help us to understand how exogenous shocks effect a country's labor, asset, and product markets. Also, we will contemplate whether macroeconomic policy can ameliorate the variations in the rates of unemployment, inflation, and output growth that we observe.

REQUIRED TEXTS:

Abel, Andrew and Ben Bernanke (1998): Macroeconomics, 3rd edition, Addison-Wesley, NY, NY. (Denoted AB below.)

Annual Editions: Macroeconomics 1998/99, 12th edition, Dushkin/McGraw-Hill, Guilford, CT., Don Cole, editor. (Denoted M below.)

GRADING:

- 10% Lab attendance / participation
- 25% Mid-term exam 1 (March 4, in class, covering weeks 1-5)
- 25% Mid-term exam 2 (April 15, in class, covering weeks 6-10)
- 40% Final exam (scheduled time during finals week)

LAB SECTIONS AND PROBLEM SETS:

The Wednesday lab sections are an opportunity for deepening our understanding of macroeconomics. They will focus on (1) discussion of assigned articles, (2) working out problems from the text, and (3) questions you may have from class lectures. The intensity of exposure to each component will vary from week to week depending on demand, interest, and need. Attendance is not required; however, attendance and participation are monitored and one's record in these respects can affect one's grade. Lab will not be held in the weeks of the mid-term exams.

Each week articles from the Macroeconomics 1998/99 reader is assigned. These articles will provide the raw material for applications/extensions of the theory studied in lecture. The articles are integral to achieving one of the goals of the course: the demonstration of how the study of macroeconomics can enhance our understanding of the world in which we live. Students are expected to be able to summarize the assigned articles during lab as well as respond to questions they might pose. (See the attached discussion questions for examples.)

Each week a small set of problems from the text will be assigned. You are strongly encouraged to

do all of the problems. Experience indicates that students who do all of the problem sets are better able to participate in lab discussions and do better on the exams. Problem sets are due at the Wednesday lab one week after they are assigned. Problems marked with an asterix will be reviewed by the teaching assistants and handed back at the Wednesday labs. Late problem sets will not be accepted after corrected problem sets have been returned.

STUDY GROUPS AND TA CLINICS:

I encourage you to work together in small groups to do the problem sets. Each person, however, must turn in her/his own set of solutions to the problems that are to be reviewed. *Your problem set should be identified by your name and discussion time.*

There will be a walk-in clinic at which students may meet with teaching assistants individually or in small ad hoc groups (having similar questions). A regular meeting time will be determined during the first week of classes. The teaching assistants are also available on a priority basis to meet with individual study groups at mutually agreeable times.

COURSE OUTLINE

Lecture I: Macroeconomic Concepts and Concerns (1 week)

1. Introduction
2. What is Macro and What Must Macro Explain?
3. Some Macro Facts
4. Ideological Controversy in Macro
5. National Income and Product Accounting

Reading: AB chapters 1-2, Appendix A
M articles 1, 2, 4, 7, 35, 8, 9, and 12.

Lecture II: The Macroeconomics of Full Employment (5 weeks)

1. Production and Employment
2. Consumption, Saving, and Investment
3. Microeconomic Foundations of Consumption and Saving: A Deeper Look
4. Government Finance: First Principles
5. The Microeconomic Foundations of Investment
6. Saving and Investment in the Open Economy
7. Long-Run Economic Growth

Reading: AB chapters 3.1-3.4, 4, 8.1-8.4, 5, and 6.
M articles 14-20, 10, and 47.

Lecture III: Business Cycles (5 weeks)

1. Temporary and Permanent Components of Business Cycles
2. The ISLM Model
3. Aggregate Demand and Aggregate Supply
4. Classical Business Cycle Analysis
5. Keynesian Business Cycle Analysis

Reading: AB chapters 9, 7, 10, 8.5, pp.587-591, 11, and 12.
M articles 11, 25, 13, 31, 32, and 28.

Lecture IV: Macroeconomic Policy (3 weeks)

1. Why the Unemployment Rate is Never Zero
2. Inflation and Unemployment: Okun's Law and the Phillips Curve
3. The Open Economy: Business Cycles and Policy
4. The Mechanics of Money Supply
5. Government Finance Revisited

Reading: AB chapters 3.5-3.6, 13-16.
M articles 44, 36, 37, 33, 6, 26, 27, 22, 24, and 34.