

ECON 202: INTERMEDIATE MACROECONOMIC ANALYSIS

Spring Semester, 2010-2011

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Topics: Macroeconomic analysis deals with the determination of aggregate output and prices, economic growth, the financial markets, cyclical fluctuations, fiscal and monetary policies, and linkages with the global economy.

Prerequisites: ECON 101: Principles of Microeconomics, ECON 102: Principles of Macroeconomics and one math course at the level of MATH 115 or higher.

Readings: The textbook for the course is:

Mankiw and Ball, *Macroeconomics and the Financial System*, Worth

The solutions to the questions at the end of each chapter will be available on the Sakai site. Supplementary readings will also be available through our Sakai site.

Requirements: The final grade will be based on the results of two mid-term exams (25% each), a final exam (40%) and the problem sets (10%).

Sakai Site: We will use our Sakai site to make announcements, post news stories and problem sets, answer questions, etc. Please feel free to post any items which you think would be of interest. All class notes, problem sets, and exams are the intellectual property of instructor and should not be given or forwarded to any other party without prior consent.

Office Hours: Office hours are on Wednesdays from 2:30 – 3:30 p.m. and Thursdays from 3 – 4 p.m.

Honor Code: All members of the course are expected to adhere to the Honor Code of Wellesley College.

Blogs: There are many interesting blogs which cover macroeconomic events and policies, including:

<i>Free Exchange (The Economist)</i>	http://www.economist.com/blogs/freeexchange/
Paul Krugman's blog	http://krugman.blogs.nytimes.com/
<i>Real Time Economics</i>	http://blogs.wsj.com/economics/

READINGS

I. Macroeconomic Concepts and Issues

Jan. 25: National Income
Jan. 28: Inflation and Unemployment

Mankiw and Ball, Chs. 1; 2; 4.4, 4.6
The Economist, 6/17/04, "In the Shadows"

II. Output and Inflation: Long-Run

Feb. 1: Aggregate Supply
Feb. 2: ALT Class
Feb. 4: Aggregate Demand
Feb. 8: Loanable Funds

Mankiw and Ball, Chs. 3; 4.2; 9.3, 9.4: 267-268
Krugman and Wells, "The Slump Goes On: Why?" *New York Review of Books*, 9/30/2010

PROBLEM SET I (due Feb. 11)

III. Financial Markets

Feb. 11: Finance
Feb. 15: Capital Markets
Feb. 16: ALT Class

Mankiw and Ball, Chs. 15; 16.1-16.3; 17.1-17.2
"Finance: Trick or Treat" in Cox (ed.), *Economics: Making Sense of the Modern Economy*, 2006
Thaler, "Markets Can Be Wrong and the Price is Not Always Right," *Financial Times*, 8/4/2009

IV. Growth: Very Long-Run

Feb. 18, 22: Solow Model

Mankiw and Ball, Chs. 7; 8.1-8.3
The Economist, "Damage Assessment," 5/14/09

PROBLEM SET II (due Feb. 24)

FIRST EXAM: I - IV (March 1)

V. Output and Inflation: Short-Run

Feb. 25: Keynesian Cross
March 2: ALT Class
March 4: IS-LM Model
March 8: Macro Policies
March 11: Aggregate Supply
March 15: Phillips Curve
March 16: ALT Class

Mankiw and Ball, Chs. 9.1-9.2; 10; 11.1-11.2; 12
The Economist, “Much Ado about Multipliers,” 9/24/30

PROBLEM SET III (due March 16)

VI. Fiscal Policy

March 29: Deficits
April 1: Debt

Mankiw and Ball, Ch. 14.1, 14.3, 14.5
The Economist, “The Big Sweat,” 6/11/09

PROBLEM SET IV (due April 5)

SECOND EXAM: V – VI (April 8)

VII. Monetary Policy

April 5: Monetary Expansion
April 6: ALT Class
April 12: Federal Reserve
April 15: Tools and Goals
April 20: ALT Class

Mankiw and Ball, Chs. 4: Appendix; 13
Mishkin, *Money, Banking and Financial Markets* (2nd ed.), 2009, Chs. 10: 219-229; 17: 411-418
Rudebusch, “The Fed’s Monetary Policy Response to the Current Crisis,” *Federal Reserve Bank of San Francisco Economic Letter* #2009-17, 5/22/09

PROBLEM SET V (due April 22)

VIII. International

April 22: Balance of Payments
April 26: Flexible Exchange Rates
April 29: Fixed Exchange Rates
May 3: IS/LM/BP
May 6: Macro Policies

Mankiw and Ball, Ch. 5.1-5.2

The Economist, “Beyond Bretton Woods 2,” 11/4/10

PROBLEM SET VI (due May 9)

FINAL EXAM: Self-scheduled