

ECONOMICS 101B
MACROECONOMIC THEORY

The subject of the course is the determination of national income, unemployment, and inflation. The course will consist of four main parts. The first part will ignore short-run fluctuations in the economy and focus on the determinants of a country's normal levels of national income, unemployment, inflation, exchange rates, and balance of trade. The second part of the course will consider short-run fluctuations, with emphasis on the determination of unemployment and inflation. The third part will examine long-run growth. The final part of the course will discuss macroeconomic policies.

Prerequisites

Economics 101A
Math 1A, 1B

Exams

There will be three quizzes, one midterm, and a final. The quizzes will be held in class on Thursday, Feb. 10, Thursday, Feb. 24, and Thursday, April 13. The midterm will be held in class on Thursday, March 16. The final will be held on Friday, May 12, 12:30-3:30 PM.

Readings

There are two textbooks for the course: Mankiw, Macroeconomics (fourth edition), and Jones, Introduction to Economic Growth. Both are available at the ASUC. The main reading for Part II of the course, "Short-Run Fluctuations," is available on the worldwide web at <http://elsa.berkeley.edu/~dromer/index.html>.

COURSE OUTLINE

INTRODUCTION

A. OVERVIEW

Mankiw, Ch. 1

B. MATHEMATICAL BACKGROUND

Jones, Appendix A

C. ECONOMIC AGGREGATES

Mankiw, Ch. 2

I. THE LONG RUN

A. THE PRODUCTION AND DISTRIBUTION OF GOODS AND SERVICES

Mankiw, Ch. 3

B. UNEMPLOYMENT

Mankiw, Ch. 6

C. INFLATION

Mankiw, Ch. 7

Handout: "Using Our Two Models of Inflation"

Handout: "Seigniorage and High Inflation"

D. FOREIGN TRADE AND THE EXCHANGE RATE

Mankiw Ch. 8

II. THE SHORT RUN

A. INTRODUCTION

Mankiw, Ch. 9, Section 1

B. AGGREGATE DEMAND

Romer, "Short-Run Fluctuations," Section I

C. THE OPEN ECONOMY IN THE SHORT RUN

Romer, "Short-Run Fluctuations," Section II

D. AGGREGATE SUPPLY

Romer, "Short-Run Fluctuations," Section III

III. THE VERY LONG RUN

A. INTRODUCTION

Jones, Ch. 1

B. THE SOLOW MODEL

Jones, Ch. 2 and Sections 3.1-3.2

Mankiw, Ch. 2 and Sections 5.1-5.2

Handout: "The Environment and Economic Growth"

C. IDEAS AND LONG-RUN GROWTH

Jones, Ch. 4 and Sections 5.1, 5.2, and 5.4

D. UNDERSTANDING CROSS-COUNTRY INCOME DIFFERENCES

Jones, Ch. 7

IV. MACROECONOMIC POLICY

A. STABILIZATION POLICY

Mankiw, Ch. 14

B. THE DEFICIT

Mankiw, Ch. 15

Auerbach, Alan J., and Gale, William G. 1999. "Does the Budget Surplus Justify a Large-Scale Tax Cut?" Tax Notes 82 (March 22): 1827-1850.

REVIEW

Mankiw, Epilogue

Jones, Ch. 9