Course Description:

As the course title suggests, this is an intermediate-level course in macroeconomic theory. What this means is that we will spend this quarter learning, in some detail, about the economic conditions or forces that underlie and influence the performance of our economic system as a whole. We will focus on conditions which determine (and may cause fluctuations in) levels of income, output, employment, and the overall level of prices; with the objective of developing some understanding of the manner in which our economic system works. Interestingly enough, we will find that there is a lack of agreement among economists on this seemingly fundamental matter. It is this lack of agreement that underlies ongoing controversy regarding the adequacy of existing economic institutions, and the proper functions of our government.

Our objective in this course, while certainly not easily achieved, is vitally important. Our work toward this objective will be both interesting and exciting if we remember to focus, as we proceed, on the implications of the different ideas that we study. How does and economic system such as ours really work? What are the nature and causes of unemployment and inflation? Is our economic system predisposed toward fluctuations in levels of output and employment? Can our government play a positive role in stabilizing levels of income, output, employment, and prices? As we consider such questions, we cannot help but develop a better understanding of a set of institutions (the "economy") that could not have a more pervasive influence on the way in which we, and other members of our society, live. With a fuller understanding of these institutions, we are better equipped to evaluate the adequacy of the institutions themselves and any policies intended to enhance their operation.

Assigned Text:


Other selected readings listed in the course outline can be obtained at Kinko's on the hill.

Course Outline:

I. Introduction. (Jan. 14 - 21)

Peterson: Ch. 1


Introduction.
II. Basic Measures of Economic Activity and Performance. (Jan. 26 - Feb. 9)
   Peterson: Chs. 2,3,14

III. A Basic Model of the Macroeconomy. (Feb. 11 - 18)
   Peterson: Chs. 4,5

Exam 1 (Feb. 23)

IV. A Basic Model of the Macroeconomy (continued). (Feb. 25 - March 8)
   Peterson: Chs. 6,7

V. A More Complex Model of the Macroeconomy. (March 10 - 15)
   Peterson: Ch. 10

VI. The Essence of Neoclassical Macroeconomic Theory. (March 17 - 22)
   Peterson: pp. 397 - 404

VII. Keynes's Challenge to Neoclassical Macroeconomic Theory. (March 24 - April 5)


Exam 2 (April 7)

VIII. The Importance of Money. (April 12 - 19)

   Peterson: Ch. 9
   Keynes: Chs. 12,13
   Milton Friedman, Capitalism and Freedom. (Chicago: University of Chicago Press, 1982). Ch. 3

IX. Alternative Theories and Policy Prescriptions. (April 21 - 28)

   Peterson: Chs. 11,12,13,15
   Robinson: Ch. 6
**Grading Policy:**

Your grade in this course will be determined as follows:

1) You will take two hourly exams, each of which will count 30% of your grade.

2) You will take a comprehensive final examination which will count 40% of your grade.

**Important Notes:**

1) There will be no make-up exams given in this course. If you must miss an exam, and you see me (with a legitimate excuse) prior to the exam, the weight of your final exam will be increased proportionately. If you miss an exam and fail to see me about it, you will receive a score of zero on the exam.

2) If your percentage on the final examination is better than your percentage on one of the hourly exams, your percentage on the final will be substituted for your score on the lowest of your hourly exams.