

## Macroeconomic Theory

### I. Introduction

Economics 410 is a course in intermediate macroeconomic theory and policy analysis. The aim of the course is to study the techniques of contemporary macroeconomics and to learn how these techniques are useful for understanding the macroeconomy and evaluating current policies. We will emphasize the development of a framework for understanding the determinants of long run economic growth and short run economic fluctuation, unemployment, inflation, interest rates, the trade deficits, exchange rates and other interesting macroeconomic quantities.

Students should be familiar with the course material of ECON 203 and have some calculus background. Course evaluations will be based on weekly quizzes (30%), homework assignments (30%), and two exams (20% each).

Each quiz will include 3 multiple choice questions. Among all the quizzes, the worst two will not be used toward your final grade.

Each homework assignment will include 25 multiple choice questions and 2 essay questions. Most of the essay questions will come from the textbook. Roughly every two weeks we will have a homework assignment. There will be six assignments. One homework assignments will not be used toward your final grade.

Each exam will include 25 multiple choice questions and two essay questions. The first exam will be held in class on Thursday, October 13<sup>th</sup>. The second exam will be held in class on Tuesday, December 6<sup>th</sup>. Makeup exams for the two exams will be held on Wednesday, December 7<sup>th</sup>, time and location to be determined.

Makeup exams will only be available to those students who have let the instructor know BEFORE the exam AND who provides verifiable proof that they have to miss the exam.

### II. Time and location of the class:

TuTh 12:45pm – 2:00pm HECC 209

### III. Office Hours

Instructor: Li Gan:	Email: <a href="mailto:gan@econ.tamu.edu">gan@econ.tamu.edu</a> Office: Allen 3086. Phone: 862-1667 Office Hours: TuTh 10:00am-11:30am, or by appointment.
Teaching Assistant:	Xi Zhao Email: <a href="mailto:xizhao@econ.tamu.edu">xizhao@econ.tamu.edu</a> Office: Allen 3005 Phone: 979-739-1225 Office Hours: MW 1:30pm – 3:00pm

#### IV. The Textbook and the Planned Lecture Schedule

The textbook for the course is Macroeconomics, by Gregory Mankiw, 7th Edition (Worth Publishers, 2010).

##### Planned Lecture Schedule

Week 1 (8/29—9/02)	Organization Chapter 1	Course requirement. Math preparation. Basic facts of macro economy
Week 2 (9/05—9/09)	Chapter 2	Economic Data Gross Domestic Product (GDP) GDP Deflator Consumer Price Index (CPI) Unemployment rate
Week 3 (9/12—9/16)	Chapter 3  Chapter 4	National Income Production function Supply/Demand equilibrium Exogenous vs. endogenous variables Money and Inflation Quantity equation
Week 4 (9/19—9/23)	Chapter 4  Chapter 6	Money and Inflation Money demand Fisher equation Unemployment Natural rate of unemployment Involuntary unemployment
Week 5 (9/26—9/30)	Chapter 7	Long Run Economic Growth (I): Solow model Per capita production function Saving rate Depreciation rate Population growth The Golden Rule Steady State
Week 6 (10/03—10/07)	Chapter 8	Long Run Economic Growth (II) Effect of technology Empirical evidence Endogenous growth Growth Policies
Week 7 (10/10—10/14)	Review and the 1 <sup>st</sup> exam	The first exam will be held on Thursday, 10/13 The exam covers the first part of the class
Week 8 (10/17—10/21)	Chapter 9  Chapter 10	Introduction to Economic Fluctuation Sticky prices Short vs. long run equilibrium Aggregate Demand: IS/LM curve

### Planned Lecture Schedule

Week 9 (10/24—10/28)	Chapter 10, 11	Aggregate Demand: IS/LM curve Short run economic policies
Week 10 (10/31—11/04)	Chapter 11 Chapter 5	The Great Depression Open economy
Week 11 (11/07—11/11)	Chapter 5 & Chapter 12 Chapter 17	Exchange rate determination / Mundell-Fleming model Consumption Kuznet consumption puzzle
Week 12 (11/14—11/18)	Chapter 17	Consumption Intertemporal optimization Lifecycle hypothesis Permanent Income hypothesis
Week 13 -- 14 (11/21-12/02)	Chapter 16	Government debt and budget deficit Size and the problem in measurement The traditional view of government debt The Ricardian view of government debt Review of the 2 <sup>nd</sup> exam
Week 15 (Tuesday, 12/06)	The 2 <sup>nd</sup> exam	Review The second exam will be held on Tuesday, 12/06 The 2 <sup>nd</sup> exam will cover the 2 <sup>nd</sup> half of the class.
Week 15 (Wednesday, 12/07)	The makeup exam	The makeup exam will be held on Wednesday, 12/07

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation for their disabilities. If you believe you have a disability requiring an accommodation, please contact the Department of Student Life/Services for Students with Disabilities, in Cain Hall. The phone number is 845-1637.

#### AGGIE HONOR CODE

“An Aggie does not lie, cheat, or steal or tolerate those who do.”