This course develops the basic techniques and fundamental concepts used to study the overall macroeconomy and policies that affect it. We study the definitions and determinants of national income and long-run growth; the causes and consequences of unemployment, inflation and business cycle fluctuations; the determination of foreign exchange rates and current account imbalances; and the role of government policy in various settings. Throughout the course, we will seek to develop our economic intuition as well as understand specific models and problems.

We will begin with the long run economy explained by the classical model of national income. In this model, prices are perfectly flexible, and the real interest rate acts to equilibrate aggregate supply and demand for goods and services. Then we use the Solow growth model to examine the dynamic issues of growth in living standards, savings differentials, and differential growth rates around the world. Then we take advantage of neoclassical models of unemployment and the determination of prices to discuss how government policy influences the long run (natural) rates of inflation and unemployment. Finally, we extend our long run analysis to include international trade and capital flows in a model of the open economy.

With this in hand, we turn to a discussion of short run economic fluctuations. We use the concept of “sticky” prices in the Keynesian framework to discuss the business cycle and aggregate demand. We combine this with a short run supply model to address issues such as the tradeoff between inflation and unemployment, stagflation, etc. We conclude with a study of the Mundell-Fleming open economy model.

**Required Text**


**Grades**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Quizzes</td>
<td>20%</td>
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<tr>
<td>Class Participation</td>
<td>20%</td>
</tr>
<tr>
<td>Midterm</td>
<td>25%</td>
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<tr>
<td>Final</td>
<td>35%</td>
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</tbody>
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Policies

- This course will use the plus/minus grading system.
- Problem sets are not graded. However, you will be required to present a certain number of problems over the duration of the course, and these presentations will be graded.
- There will be no makeup exams except in the case of truly extraordinary circumstances.
- Class participation is absolutely necessary for a full understanding of the material. It is expected that you will have completed the readings before class begins. It is also expected that you will review the readings after discussion.
- I strongly encourage you to make use of my office hours; if they do not match your schedule, please make an appointment as necessary.
- The Final will be take-home and cumulative, due Sunday, August 17th.

Rough Course Schedule

1st and 2nd Weeks – Introductions and The Long Run
Introduction and Mathematics
Science of Macroeconomics Ch. 1
Data of Macroeconomics Ch. 2
National Income Ch. 3
Money and Inflation Ch. 4
The Open Economy Ch. 5
Unemployment Ch. 6

MIDTERM Ch. 1-6
Midterm Review

3rd and 4th Week – Growth Theory
Economic Growth Ch. 7
More Economic Growth Ch. 8

4th and 5th Week – The Short Run
Economic Fluctuations Ch. 9
Aggregate Demand Ch. 10
Aggregate Supply Ch. 11
Additional topics (if enough time) TBD

FINAL EXAM Cumulative

Other Information

I prefer to be contacted by email. Please keep this syllabus somewhere safe, as you are responsible for the information on it.

If you feel that you need reasonable accommodations because of the impact of a disability, please contact the KOKUA program (V/T) at 956-7511 or 956-7612 in room 013 of the Lili‘uokalani center or speak with me privately to discuss your specific needs.