Economics 309  
Macroeconomics I  
Office Hours: 1:00-2:30 MW  
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Fall 2000  
Mr. Miller  
486-3853  
Mr. Sharma


Grading: The course grade will incorporate three components -- problem sets, brief summaries of journal articles, and exams. You will have five (5) problem sets during the semester (20 points each). You will also have four (4) journal articles to read and write brief summaries (25 points each). Finally, you will have a mid-term and (non-cumulative) final (100 points each). Your final grade will be an average of all components. Mr. Sharma is the graduate student assistant for this course. He will grade the homework assignments and be available to answer questions on a regular basis. His office is HRM 337, his e-mail address is sharan_np@hotmail.com, and his telephone is 486-3812.

I. Introduction (1 week)
   A. Method of Analysis
   B. Measurement Issues
      1. Trends and Cycles
      2. National Income Accounting
      3. Saving and Investment
      4. Price Level and Interest Rates
      5. Employment and Unemployment

Readings:
1. Abel and Bernanke (AB), Chapters 1, 8, 2, 5 (pp. 168-180), and 3 (pp. 91-98).

II. Microeconomics of Macroeconomics (3 weeks)
   A. Labor Market
      1. Demand for Labor
      2. Supply of Labor
      3. Market Equilibrium
   A. Goods Markets
      1. Consumption Demand
      2. Investment Demand
      3. Saving Equals Investment
   A. Asset Markets
      1. Demand for Money
      2. Supply of Money
      3. Market Equilibrium

Readings:
1. AB, Chapters 3 (pp. 60-90), 4, 4A, 5 (pp. 180-197), 7, and 14 (pp. 520-531).

III. Long-Run Growth (1 week)
A. Determinants of Economic Growth
   1. Labor
   2. Capital
   3. Technology
B. Potential GDP
C. Neo-Classical Growth Models
   1. Solow Model
   2. Optimal Growth Model
   3. Overlapping Generations Model
D. Endogenous Growth Models
E. Convergence Hypothesis
   1. Absolute Convergence
   2. Conditional Convergence

Readings:
1. AB, Chapter 6.

IV. Generic Macroeconomic Model (2 weeks)
A. Aggregate Demand (AD)
   1. Goods market Equilibrium (IS)
   2. Money Market Equilibrium (LM)
B. Aggregate Supply (AS)
   1. Short-Run Aggregate Supply (SRAS)
   2. Long-Run Aggregate Supply (LRAS)
C. Macroeconomic Equilibrium
   1. Long- and Short-Run Equilibrium

Readings:
1. AB, Chapter 9.
V. Alternative Interpretations of Generic Macroeconomic Model (3 weeks)
   A. Classical Interoperations
      1. Misperceptions Model and SRAS
      2. Long- and Short-Run Equilibrium
   B. Keynesian Interpretations
      1. Sticky Wages and Prices
      2. Long- and Short-Run Equilibrium
   C. Disequilibrium Interpretation
      1. Disequilibrium and Consumption
      2. Disequilibrium and Unemployment
      3. Integration and a Simple Disequilibrium Model

Readings:
1. AB, Chapters, 10 and 11.

VI. Unemployment and Inflation (1 week)
   A. Expectations Augmented Phillips Curve
      1. Imperfect Information and Rational Expectations
         a. Lucas Supply Curve
         b. Friedman-Phelps Phillips Curve
      2. Policy Implications
         a. Anticipated Versus Unanticipated Policy

Readings:
1. AB, Chapter 12.

VII. Open Economy Macroeconomic Model (1 week)
   A. Exchange Rate
      1. Purchasing Power Parity
      2. Interest Rate Parity
   B. Exchange Rate Determination
      1. Short-Run Equilibrium
      2. Long-Run Equilibrium
C. Macroeconomic Policy
   1. Flexible Exchange Rates
   2. Fixed Exchange Rates

Readings:

1. AB, Chapter 13.

VIII. Macroeconomic Policy Analysis (2 weeks)
A. Monetary Policy
   1. Central Bank Policy
   2. Rules Versus Discretion
A. Fiscal Policy
   1. Government Budget Deficits and Debt
   2. Government Deficits and Inflation

Readings:

1. AB, Chapters 14 (532-538) and 15.