

Izmir University of Economics
Macroeconomic Theory (ECON 202)
Summer School 2007

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Course web site	http://eco.iieu.edu.tr/courses/econ202/index.php
Class	Wednesday 08:30–11:20 C401 Thursday 12:30–15:20 C401
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Objective

Macroeconomics studies relationships among aggregate economic variables, such as output, consumption, investment, savings, employment and inflation. We aim two things in this course: (i) introducing some basic macroeconomic facts, and (ii) providing a consistent way of analyzing these facts and evaluating related policy issues.

This is a course in intermediate macroeconomic theory. The purpose of the course is to teach students how a macro model is constructed and provides students an opportunity to use a model to study how shocks are transmitted throughout the economy. Most of the concepts necessary to understand the workings of the economy will be presented in (simple) mathematical models.

The course begins by introducing students to the subject of macroeconomics and to national income accounting. Then, the basic macroeconomic model that unifies all analyses in the course is developed. In principle, short-run concerns, business cycles and stabilization policies will be covered. Long-run issues such as the determinants of national saving and investment are going to be covered at a minor level.

Textbook

Major: Oliver Blanchard, *Macroeconomics* Prentice Hall, Third Edition 2003

Plus: Exercise sheets and additional course material

Course Work & Grading

There is a midterm, a project, and a final in this course. Each counts for 30% of your total grade. *Attendance* counts for the remaining 10 percent. The midterm will be approximately in the 5th week. Your project is about writing an **at least** 5-page essay on an issue related to Turkish macroeconomics (e.g., inflation in Turkey, M1 money stock in Turkey, etc.). Each student may also earn bonus points in correspondence to his/her class participation.

Course Outline

- Week 1:** Introduction
Chapter 1
- Measurement of Aggregates
Chapter 2
- Week 2:** The Goods Market
Chapter 3
- Financial Markets
Chapter 4
- Week 3:** Goods and Financial Markets: The IS-LM model
Chapter 5
- The Labor Market
Chapter 6
- Week 4:** Putting All Markets Together: The AS-AD Model
Chapter 7
- The Natural Rate of Unemployment and the Phillips Curve
Chapter 8
- Week 5:** Midterm Exam I
- Expectations, Output, and Policy
Chapter 17
- Week 6:** Openness in Goods and Financial Markets
Chapter 18
- The Goods Market in an Open Economy
Chapter 19
- Week 7:** Output, the Interest Rate, and the Exchange Rate
Chapter 20
- Depressions and Slumps
Chapter 22