

---

**Course Syllabus  
Fall Semester 2011**

Professor: Ahmed S. Rahman  
Office: Nimitz 0028  
Telephone: Office: 3-6897  
Office Hours: MW 1430 – 1630 or by appointment  
Website: <http://www.usna.edu/user/econ/rahman>  
Email: rahman@usna.edu  
Course meeting times/places: Section 2001: MWF2, SA106  
Section 3001: MWF3, SA106  
Section 4001: MWF4, SA106

**Course Objective:**

**The aim of this course is to provide you with the tools necessary to carefully analyze current macroeconomic issues.** The first half of the course will focus on classical and growth theories, which examine the long run over which prices and other variables are *flexible*. Topics will include national income accounting, the Solow growth model, the quantity theory of money, and open-economy macroeconomics. The second half of the course examines the short run when prices and other variables are *sticky*. Here topics will include the IS-LM model, the Mundell-Fleming model, and theories of aggregate supply. Together both parts will serve as the foundation for discussing some of the key debates over macroeconomic policy today, such as the recent growth of China and India, financial crises both here and abroad, the state of the Euro, and the U.S. debt situation, to name but a handful.

**Reading (required):**

**Macroeconomics 7<sup>th</sup> Ed.**, by Gregory Mankiw, Worth Publishers, 2010. The assigned chapters should be read *before* the material is covered in class. This will greatly help you to digest the material and get more out of each lecture. *Seriously, read the book beforehand.* You are also responsible for all end-of-chapter appendices for each assigned chapter, unless otherwise noted.

Reading (supplemental):

Notice the word “current” in the course objective. To appreciate the ubiquity of economic issues in our world, you should continually read and keep abreast of U.S. and international news. Wielding the macroeconomic tools you will acquire from this course, complicated world events will be far easier to understand. *The Economist* ([www.economist.com](http://www.economist.com)) is the nonpareil news magazine out there, but widely read newspapers such as the New York Times ([www.nytimes.com](http://www.nytimes.com)), the Wall Street Journal ([online.wsj.com](http://online.wsj.com)) and of course the blogosphere (<http://www.usna.edu/users/econ/rahman/blogroll.htm>) are also filled with macroeconomic news and analysis.

I will also post additional readings from time to time, so keep checking the class website.

Course work:

**Exams:** There will be three exams—two midterms and a final. These will test your comprehension of the material covered in the class notes and the textbook. The final exam will be comprehensive, covering the entire semester. Exams will consist of multi-part questions that will require you to work out problems and respond in short answer to essay questions. Any midshipmen missing scheduled exams without prior approval from me will receive a grade of zero on the exam. If you know you are going to miss an exam (for an officially sanctioned reason), TELL ME AT LEAST ONE WEEK BEFORE the date of the exam. Let me repeat - failure to give one week advanced notice will result in a zero for your exam grade – there will be no makeup exams offered.

**Problem Sets:** There will be weekly problem sets, consisting of a combination of problem solving, short answer, and data analysis. I encourage you to work together on these; however, come due date I will not collect your work. Instead, *we will have weekly quizzes*, where I will ask one question (verbatim) from the problem set – these quizzes will be closed-book, closed-notes, closed-mouth. So, it is in your best interest not simply to finish each assignment, but to truly *understand* each assignment ahead of time.

If you miss class on the day a quiz is given, you will have until the next 2 class meetings to make it up. Upon your return, you will answer a (probably different) question from the same problem set, and you will do this at the start of class. I will post answer keys for all the problem sets roughly one week after they are due. You should use these as study aids, particularly since the format of the midterms and final exam will be modeled after these exercises.

The point to stress here is that this is not a class you can pass simply by studying 2 days before each big exam. Of course all your instructors probably say that. You are

certainly free to not believe me, but you do so at your academic peril. In order to keep up, I encourage each one of you to ask questions in class, to request clarification on points unclear to you, and to raise new points that seem applicable to the material. True learning only happens when you learn from your mistakes, so do not be afraid to ask questions throughout the term.

**Notebook:** From time to time (typically a week or so before each exam) I will collect your notebooks to check on the diligence and thoroughness of your note-taking in class. This is a separate evaluation from the problem-set quizzes. This also gives me an opportunity to see the relationship between your preparations in and out of class and your exam performances.

**Term Paper:** You will have an 8-10 page paper due on December 3<sup>rd</sup> (double-spaced, 1 inch margins, Times New Roman font, yada yada yada). This paper should be on a macroeconomic topic of your choosing (with my approval). For this project you will be provided access to certain data sets (see the “Some Data Sources” link on the website), which you will need to understand and analyze in your paper. More details on this will be given in class as appropriate.

Grade Breakdown:

Your final grade shall be weighted as follows:

Exam 1	20%
Exam 2	20%
Final Exam	20%
Term Paper	15%
Quizzes & Participation	15%
Notebook	<u>10%</u>
	100%

Please note: I WILL NOT CHANGE ANY GRADE ONCE I GIVE IT, UNLESS IT IS CLEAR THAT I HAVE MADE A CALCULATION ERROR. AND UNDER NO CIRCUMSTANCES WILL I GIVE ANY EXTRA-CREDIT ASSIGNMENTS TO MAKE UP FOR POOR PERFORMANCE.

Why am I being such a jerk about this (using such emphatic capitalized words and everything)? The reason has to do with what economists call the *time inconsistency of discretionary policy*. It's covered in chapter 15 I think.

Tentative Course Outline and Schedule:

**\* The following schedule is subject to change at my discretion. I will however notify you immediately of any change to the proposed order of topics or any other potential change.**

**Section I: Introduction and Measuring the Macro Economy**

	<b>Topic</b>	<b>Important Dates</b>	<b>Readings</b>
Week 1:	Introduction; Macro data		Chapters 1, 2
Week 2:	National Income Accounting		Chapter 3

**Section II: The Economy in the Very Long Run**

Week 3:	Economic Growth I		Chapter 7
Week 4:	Economic Growth II		Chapter 8
Week 5:	The Dynamics of Consumption		Chapter 17

**Section III: The Economy in the Long Run**

Week 6:	Financial Markets; Money and Inflation	<i>Exam 1: Friday, September 30<sup>th</sup></i>	Chapters 3,4, part of 18
Week 7:	The Open Economy/Midterm review/Midterm		Chapter 5
Week 8:	The Open Economy (cont); Unemployment		Chapters 5, 6

**Section IV: The Economy in the Short Run**

Week 9:	Aggregate Demand (IS-LM Model)		Chapter 10
Week 10:	Aggregate Demand (Fiscal and Monetary Policy)		Chapter 11
Week 11:	Mundell-Fleming Model/Midterm Review/Midterm	<i>Exam 2: Friday, November 4<sup>th</sup></i>	Chapter 12

Week 12: Mundell-Fleming (cont); Aggregate Supply Chapters 12, 13

Week 13: A Dynamic Model of AD/AS *Term Paper due: Friday, December 2<sup>nd</sup>* Chapters 14

**Section V: Macroeconomic Policy**

---

Week 14: Business Cycles and Stabilization Policy Chapter 15, Chapter 20

Week 15: Government Debt Chapter 16

Week 16 & 17 *Finals* **TBA**