

THE UNIVERSITY OF ILLINOIS AT CHICAGO
ECON 221: MACROECONOMICS IN THE WORLD ECONOMY
SPRING 1998

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Office Hours:

Tue & Thu, 2:00-3:00

and by appointment

Required Text:

A.B. Abel & B.S. Bernanke, Macroeconomics, 3rd edition, 1998, Addison-Wesley.

Overview:

The principal aim of this course is to introduce the student to Macroeconomics at the intermediate level. By the end of the quarter you must be familiar with how the macroeconomy works, how (and when) macroeconomic policy should be conducted, and how international transactions affect the economy. You will also be exposed to some current issues of interest and research in macroeconomics.

The basis for this course is a combination of the required textbook and the class notes. Regarding the exams, you will be responsible for everything covered in the lectures. Should you miss a lecture, try to borrow a colleague's notes; usually, however, this is a poor substitute. You must also make sure that you have all the handouts distributed in class.

Grading Procedure:

A midterm (M, 20 points), a comprehensive final (F, 40 points), and two homework sets (H1 and H2, 10 points each) will be given. In addition, a Country Project Report (P, 20 points) will be assigned. Your score will be based on the following simple algorithm:

If $F \leq H1+M+H2$ then $SCORE = H1+M+H2+F+P$, but

if $F > H1+M+H2$ then $SCORE = 2F+P$.

Therefore, students who show an improvement on the final will have their midterm and homework scores discarded and their grade will be based on the final and project scores only. This means that you can only gain by taking the midterm and turning in the homeworks. However, all students must take the final exam and write a country report. No make-up exams will be offered - the only exception being a documented medical problem.

To summarize:

<u>Assignment</u>	<u>Points</u>
Homework 1	10
Midterm	20
Homework 2	10
Final	40
Country Report	<u>20</u>
	100

Broad Outline:

I. INTRODUCTION (Chapters 1 and 2)

1. Macroeconomic Questions
2. Measurement Issues

II. THE LONG-RUN: FULL EMPLOYMENT & GROWTH (Chapters 3-8)

3. The Production Function and the Labor Market

{Homework 1}

4. Saving and Investment
5. The Open Economy
6. Long-Run Growth Theory

{Midterm}

7. Money and Prices
8. Consumption and Labor Supply

III. THE SHORT-RUN: BUSINESS CYCLES & STABILIZATION POLICY (Chapters 9-12, 14)

9. The Facts
10. The IS-LM Model
11. Classical Analysis
12. Keynesian Analysis

{Homework 2}

14. Exchange Rates and the IS-LM in the Open Economy

V. MACROECONOMIC POLICY: A CLOSER LOOK (Chapters 13, 15, and 16)

13. Unemployment versus Inflation

{Country Projects due}

15. Money Supply and the Federal Reserve System
16. The Government Budget, Deficits, and Debt

{Final Exam}