

NORTH CAROLINA STATE UNIVERSITY
Department of Economics

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ECG 703
Income and Employment Theory

This is a course in macroeconomics, the study of how the economy behaves as a whole. Despite the title of the course, income and employment are only part of the course's subject matter. Other topics include consumption, unemployment, money, inflation, interest rates, investment, government expenditure, taxation, and government deficits.

The texts for the course are

William H. Branson, Macroeconomic Theory and Policy, 3rd ed.
Robert J. Barro, Macroeconomics, 5th ed.

Branson presents the traditional IS-LM approach, which is good for getting some basic skill in manipulating macroeconomic models. Barro presents macro theory the way macroeconomists think about it in their own research. Barro's presentation gives excellent economic intuition. There also is one journal article assigned; it deals with a special topic not adequately treated in either of the texts. The article is available in .pdf format on the Courses page of my website:

<http://www4.ncsu.edu/~jjseater/Pages/CourseList.htm>

Problem sets will "due" often; due dates are shown on the course schedule below. The problem sets will not be graded formally, but I will look at your answers to see how you are doing. Doing the problems is important to learning the course material. I encourage you to work together on them. Answers to the problem sets will be provided on the due dates.

There will be three in-class exams, which constitute the entire grade for the course. *There will be no final exam.* The first exam constitutes 20% of the course grade; the other two exams constitute 40% each of the course grade. If you have a strong upward trend in your grades, I will give additional weight to the later exams. Exactly how much more weight is a matter of judgement that I will decide on the spot. Also, if you are on the borderline between two grades, your performance on the problem sets will help me decide which grade you have earned. Numerical grades convert to letter grades as follows:

95-100	A+	55-59	C+
85-94	A	45-54	C
80-84	A-	40-44	C-
75-79	B+	35-39	D+
65-74	B	25-34	D
60-64	B-	20-24	D-
		0-19	F

COURSE OUTLINE AND SCHEDULE

<u>Date</u>	<u>Exam</u>	<u>Topics</u>	<u>Reading</u>	<u>Problem Set Due</u>
Jan 13	#1	Elementary macro model.	Branson (1,2),3	-
Jan 15		Aggregate demand.	Branson 4	-
Jan 20		Introduction to policy.	Branson 5	-
Jan 22		The labor market.	Branson 6	#1
Jan 27		Aggregate supply.	Branson 7	-
Jan 29		General equilibrium.	Branson 8	#2
Feb 3		Monetary and fiscal policy.	Branson 9	-
Feb 5		Wage and price sluggishness. Involuntary unemployment.	Branson 10	#3
Feb 10		Inflation and unemployment.	Branson 20	-
Feb 12	#1	Inflation and unemployment, continued.		
Feb 17	#2	Rational expectations.	Branson 11	#4
Feb 19		1ST EXAM		
Feb 24		Rational expectations, continued.	Lucas	-
Feb 26		Foundations of household choice.	Barro 2	-
Mar 2		Intertemporal choice.	Barro 3, Branson 12	#5
Mar 4		Intertemporal choice, continued.	-	-
Mar 9		No class - Spring vacation.		
Mar 11		No class - Spring vacation		
Mar 23		Demand for money.	Barro 4, Branson 14	#6
Mar 25	#2	General equilibrium.	Barro 5	-
Mar 30	#3	Inflation and interest rates.	Barro 7	#7

Apr 1	2ND EXAM		
Apr 6	Easter Break - no class		
Apr 8	Inflation and interest rates, continued.	Barro 8	#8
Apr 13	Investment	Barro 9, Branson 13	-
Apr 15	Capital accumulation.	Barro 10	#9
Apr 20	Easter break - No class		
Apr 22	Government spending.	Barro 12	#10
Apr 27	#3 Government taxes & debt.	Barro 13	-
Apr 29	3RD EXAM		