Economics 202: Elements of Economic Analysis III  
University of Chicago, Department of Economics  
Spring 2006

Professor  
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Teaching Assistants  
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Class and TA Session Schedule  
Section 01. Lectures: 9:00-10:20 a.m. TuTh, Stuart 102  
TA Session: 4:00-4:50 p.m. Mon, Stuart 102  
Section 02. Lectures: 10:30-11:50 a.m. TuTh, Stuart 102  
TA Session: 5:00-5:50 p.m. Mon, Stuart 102

Texts  
The former is available at Barnes & Noble and the Seminary Co-op, the latter at the University Printing Office, located in the 3rd Floor of the Bookstore Building.

Course Website  
The course will have a site on the University’s Chalk system. If you are registered for the class, you can access it through a Chalk account at [http://chalk.uchicago.edu](http://chalk.uchicago.edu). This syllabus, course problem sets, announcements, and possibly other supplements will be posted on the site.

Grading  
Course grades will be determined according to the following weights.  
- **Midterm:** 35%  
- **Final (Comprehensive):** 55%  
- **Problem Sets:** 10%

Problem Sets  
There will be a series of occasional problem sets (probably 6 or 7) based off but mostly expanding upon material covered in lectures and the texts. **Each student’s lowest-score problem set will be dropped from consideration for the course grade.** Problem sets are due one week after they are distributed unless stated otherwise. **Late problem**
sets will **not** be accepted. If you expect to be absent the day a problem set is due, complete the set early.

**Course Outline**

This outline is meant to be a guide to the general nature and order of topics covered in the course. The instructor reserves the right to deviate from this outline.

**Section 1: Preliminaries**
- National income accounting
- What are the facts?
Readings: Barro Chap. 1

**Section 2: Labor-Leisure Choice**
- Consumption and leisure in a static two-goods model
- Constrained optimization mathematics
Readings: Barro Chap. 2, DLS Chap. 1-3

**Section 3: Intertemporal Consumption/Savings Choice**
- Two-period models of saving
- Infinite-life consumption model
Readings: Barro Chap. 3, DLS Chap. 1-3

**Section 4: Money Demand**
- Optimal money holding
- Monetary velocity
Readings: Barro Chap. 4, DLS Chap. 4

**Section 5: Equilibrium in the Goods and Money Markets**
- Clearing the goods market
- Clearing the money market
- Effects of shocks
  - Supply shocks (temporary and permanent)
  - Money shocks
- Properties of equilibrium: Walras’ Law and the First Welfare Theorem
Readings: Barro Chap. 5, DLS Chap. 5

**Section 6: Equilibrium in the Labor Market**
- Labor demand and supply
- Wages
Readings: Barro Chap. 6, DLS Chap. 6

**Section 7: Money and Inflation**
- Quantity Theory of Money
- Expected and actual inflation (and related interest rate effects)
- Adding money to an equilibrium model

Readings: Barro Chap. 7-8, DLS Chap. 8

Section 8: Growth
- Solow growth model
- Convergence
- New growth theory
- Policies that promote technological progress

Readings: Barro Chap. 9(pt) and 11, DLS Chap. 11

Section 9: Additional Topics (Time Permitting)
- Investment demand
- Non-market-clearing business cycle models

Readings: Barro Chap. 9