

ECON B1000: Macroeconomics

Syllabus

City College of New York
Department of Economics
Fall 2010

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Office Hours: Wednesday 3.30-5.30pm

Course Objective: This course provides a thorough discussion of the macroeconomics system and builds the foundations developed in the undergraduate classes. It covers several important macroeconomic topics such as, consumption theory, theory of Investment, credit markets, money, interest rates, and the role of the Government and Fiscal Policy.

Textbook: There is not only one textbook recommended for this course. The best options are Stephen Williamson's "Macroeconomics" published by Addison Wesley, Robert Barro's "Macroeconomics" published by MIT press, Gregory Mankiw's "Macroeconomics" published by Worth Publishers, and David Romer's "Advanced Macroeconomics" published by MacGraw-Hill

Other Required Reading: In addition to readings from the textbook, topical readings from publications as The New York Times, The Economist or The Wall Street Journal, will be discussed in class and included in exam questions. The course material becomes more interesting if you read articles in the press and try to apply what you have learned to real-world events. We will discuss current policies and actual economic events in class. Increasing your knowledge by reading the economic section of the newspapers is one of the best ways to apply the theory and ask yourself questions.

Evaluation: Your grade will depend on your performance on:

1. Homework (20%): Problem Sets have to be handed on the due date. The students must form groups of 2-3 persons per group. Students are encouraged to discuss the problem sets with the members of the group and are expected to write their assignments (one assignment per group) . Late homework will be not accepted and will receive a grade of zero
2. Midterm Exam (30%): There will be one midterm. Date: It will be announced in Class.
3. Final Exam (50%)

Grading Scale: Score (0 to 100%) for homework, midterm and final exam

FINAL CLASS GRADE = 0.2*Average homework score + 0.3*Midterm score + 0.5*Final exam score

Exam policy: No make up exam (in case of an emergency, I will need a doctor's note or any other proof)

List of Topics

1. Introduction. Short-Run versus Long-Run. Focus on the Micro-foundations behind the Macroeconomics and Policy Debates. Some basic questions.
2. The IS curve in a closed economy: a revision.
 - 2.1. The Keynesian Consumption Function: the consumption puzzle.
 - 2.2. The Investment function: the cost of capital and the real interest rate.
 - 2.3. Government Spending: the size of the Government Debt.
 - 2.4. The loanable funds market. Investment versus Savings
 - 2.5. Keynesian Cross and the Aggregate Demand.
 - 2.6. The IS curve and fiscal policy.
 - 2.7. Modern theories: Consumption, Investment and the Economic Impact of the Debt. The role of expectations and Ricardian view.
3. The LM function in a closed economy: a revision
 - 3.1. The Demand for money and its determinants.
 - 3.2. The supply for money: The role of the Central Bank
 - 3.3. LM function
 - 3.4. Instruments of Monetary Policy.
 - 3.5. The temporal inconsistency.
4. The Labor Market
 - 4.1. The Agent Leisure-Work decision. The Labor Supply
 - 4.2. The Labor Demand.
 - 4.3. Equilibrium and Aggregate Supply in the Classical Economy.
5. The Economy in Equilibrium: Aggregate Demand-Aggregate Supply
 - 5.1. The sticky wage model.
 - 5.2. The Aggregate Demand and the Aggregate Supply.
 - 5.3. Fiscal Policy and Monetary Policy.
6. Supply Policies
 - 6.1. Supply policies affecting Labor Demand and the role of productivity.
 - 6.2. Supply policies affecting Labor Supply. The role of unemployment benefits.
 - 6.3. Effects of the Supply Policies and the Equilibrium.

This program has been designed with an ambitious schedule. *A priori* and due to the heterogeneity of the class and the students' knowledge we can have some constraints, in the sense that I might have to slow down and then, we might not cover all these topics. On the contrary, if the schedule leaves us some extra time we will also study:

7. Inflation, Unemployment and the Phillips Curve.
 - 8.1. Deriving the Phillips Curve from the Aggregate Supply.
 - 8.2. Adaptive Expectations and Inflation Inertia.
 - 8.3. The Short-Run Trade-off between Inflation and Unemployment
 - 8.4. Rational Expectations and the Long-run Phillips Curve. Lucas Model
 - 8.5. Effects of the Fiscal and Monetary Policy.

Grading System

Grade	Explanation	Percentage	Quality Points
A+	} Excellent	97-100	4.00
A		95-96	4.00
A-		90-94	3.66
B+	} Good	85-89	3.33
B		76-84	3.00
B-		70-75	2.66
C+	} Satisfactory	60-69	2.33
C		54-59	2.00
C-		50-53	1.66
D	Passing	46-49	1.00
F	Failure	Below or = 45	0.00

Other grades	Explanation
W	Withdrew without penalty (student initiated)
WA	Administrative withdrawal (college initiated)
FIN	F due to incomplete from a final exam
FAB	F due to absence from a final exam
WU/WF	Withdrew without approval
INC	Incomplete
ABS	Absent from final
PEN	Grade pending
Z	Grade not yet assigned