

Department of Economics
Barnard College
Spring 2000

Economics BC 3033: Intermediate Macroeconomic Theory

Professor Sharon G. Harrison

Course description: This course is designed to extend the material you learned in Economics BC1001. We start by developing an understanding of how economists measure important macroeconomic variables; and then we build models of the goods and money markets. We use these models to study the short run: economic fluctuations and the effects of fiscal and monetary policies in this framework. Then, we add in the labor market and study the longer run. We will also examine the problems of inflation, unemployment, and growth. Though we will learn a significant amount of important economic theory, I will try to focus on applications of these theories to the real world. In general, the goal is to arm you with a more thorough understanding of how our economy works, and to prepare you for further study in the undeniably exciting field of economics.

Class meetings: This class will meet Tuesday and Thursday from 2:40 to 3:55 pm.

Administrative Information: My office is in Room 7, **Lehman Hall** and my phone number there is **854-3333**. You can also reach me by e-mail at **sh411@columbia.edu**.

Web access: It is essential that you have access to the web. The home page for this course is

<http://www.econ.barnard.columbia.edu/~sharriso/s003033>

Homework assignments will be posted on the web and will involve accessing various web pages to retrieve data. Please talk to me if you don't know how to access the web.

Office Hours: Wednesday 3-5 and by appointment.

Textbook: The required text for this class is: *Macroeconomics*, by Olivier Blanchard. Please buy the **first edition**. The second edition may be available, but we are not using it. The book is available at the Columbia University Book Store.

Other Required Reading: In addition to assignments from the text, I expect that you will regularly read the New York Times, focusing especially on the business section and the front page. Relevant news will be discussed in class and included in exam questions. Reading the Times (and the Wall Street Journal, if you get around to it) is one of the best ways to understand the real-world applications of macroeconomics.

Evaluation: Your grade in this class will depend on your performance on: 1 midterm (30%), a cumulative final (50%), and homework (20%). There will be no make-up exams given. The date of the midterm is **Thursday, March 2**. The final is tentatively scheduled for **Thursday, May 11 at 1:10 pm**.

Teaching assistant: Your teaching assistant is **Tanweer Akram**. His e-mail address is **ta63@columbia.edu**. His office hours will be held in the TA room in Lehman, Room 10D.

In addition, he will hold a section meeting each week. The times will be decided upon during the first week of class.

(Rough) Schedule of Topics to be Covered

(Chapter numbers in (.))

WEEK 1: Jan 18, 20:

- Introduction (1)
- Macroeconomic data (2)
 - GDP
 - Real and nominal values
 - Inflation
 - Unemployment

WEEK 2: Jan 25, 27:

- The goods market (3)
 - The demand side
 - The role of the interest rate
 - Equilibrium output, the multiplier
 - The market for loanable funds

WEEK 3: Feb 1, 3:

- Dynamics of the goods market (4)
 - The production decision
 - The multiplier revisited

WEEK 4: Feb 8, 10:

- The money market (5)
 - Liquidity preference
 - The bond market
 - Monetary policy

WEEK 5: Feb 15, 17

- The ISLM Model (6)
 - The IS curve
 - The LM curve
 - Equilibrium in both markets
 - Policy in the ISLM model

WEEK 6: Feb 22, 24

- Expectations (7)
 - Expected inflation
 - Nominal and real interest rates
 - The ISLM model revisited

WEEK 7: Feb 29, March 2:

- **Thursday, March 2: Midterm**
- Expectations in the ISLM model (10)
 - The IS curve revisited (some material from chapter 8)
 - The revised model

WEEK 8: March 7, 9:

- The labor market (15)
 - Wage-setting
 - Price-setting
 - The natural rate of unemployment and the natural level of output

WEEK 9: March 14, 16:

- **Spring Break**

WEEK 10: March 21, 23:

- General equilibrium (16)
 - Aggregate supply and aggregate demand
 - Monetary and fiscal policy
 - The short run and the long run

WEEK 11: March 28, 30:

- The Phillips curve (17)
 - The original and the modified Phillips curve
 - The NAIRU
- Okun's Law (18)

WEEK 12: April 4, 6:

- Openness in goods and financial markets (11)
 - nominal and real exchange rates
 - balance of payments

WEEK 13: April 11, 13:

- The goods market in the open economy (12)
 - The IS relation
 - The trade balance and policy

WEEK 14: April 18, 20:

- Equilibrium in the open economy (13)
 - The ISLM model
 - Fiscal and monetary policy
 - Exchange rates

WEEK 15: April 25, 27:

- Catch-up and Review