

Department of Economics
Barnard College
Fall 2004

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. Homework assignments, important announcements, and other information will be posted on the courseworks page for this class (go to <https://courseworks.columbia.edu/>).

Office Hours: TBA.

Textbook: The required text for this class is: *Macroeconomics*, third edition, by Olivier Blanchard. It 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%). Late problem sets will not be accepted. The lowest problem set grade will be dropped. There will be no make-up exams given. The date of the midterm is **Thursday, October 21**. The final exam will be on the date determined by the official schedule.

Teaching assistant: Your teaching assistant is Mariann Micsinai. Her email address is mm2414@columbia.edu. She will hold weekly recitation sections and office hours. Times and places will be decided during the first week of class.

(Rough) Schedule of Topics to be Covered

(Chapter numbers in (.))

WEEK 1: Sept 7, 9:

- Macroeconomic data (2)
 - GDP
 - Real and nominal values
 - Inflation
 - Unemployment
- Note: Chapter 1 contains material that will be referred to throughout the course. You should read it.

WEEK 2: Sept 14, 16:

- **September 16: Rosh Hashanah, no class**
- The goods market (3)
 - The demand side
 - The role of the interest rate
 - Equilibrium output, the multiplier
 - The market for loanable funds

WEEK 3: Sept 21, 23:

- The money market (4)
 - Liquidity preference
 - The bond market
 - Monetary policy

WEEK 4: Sept 28, 30:

- The ISLM Model (5)
 - The IS curve
 - The LM curve
 - Equilibrium in both markets
 - Policy in the ISLM model

WEEK 5: Oct 5, 7

- Expectations in the ISLM model (17; some material from 14 and 16; details TBA)
 - In the Goods Market
 - In the Money Market
 - In the ISLM model

WEEK 6: Oct 12, 14:

- The labor market (6)
 - Wage-setting
 - Price-setting
 - The natural rate of unemployment and the natural level of output

WEEK 7: Oct 19, 21:

- **Thursday, Oct 21: Midterm**
- General equilibrium (7)
 - Aggregate supply and aggregate demand
 - Monetary and fiscal policy
 - The short run and the long run

WEEK 8: Oct 26, 28:

- The Phillips curve (8)
 - The original and the modified Phillips curve
 - The NAIRU

WEEK 9: Nov 2, 4:

- **November 2: Election Day Holiday**
- Using the Phillips Curve (9)
 - Okun's Law
 - Policy and Expectations

WEEK 10: Nov 9, 11:

- Growth and the Solow Model (10, 11)
 - The Facts
 - Introduction to Growth Theory
 - The role of capital, and of savings
 - Physical vs. human capital

WEEK 11: Nov 16, 18:

- The Solow Model continued (12)
 - Technological Progress

WEEK 12: Nov 23, 25:

- **November 25: Thanksgiving Holiday**
- Openness in goods and financial markets (18)
 - nominal and real exchange rates
 - balance of payments

WEEK 13: Nov 30, Dec 2:

- The goods market in the open economy (19)
 - The IS relation
 - The trade balance and policy

WEEK 14: Dec 7, 9:

- Equilibrium in the open economy (20)
 - The ISLM model
 - Fiscal and monetary policy
 - Exchange rates