

Department of Economics
Barnard College
Fall 1999

Economics BC 1001: Introduction to Macroeconomics

Professor Sharon G. Harrison

Course description: This course is designed to provide an introduction to the way economists think about the economy as a whole. Among other things, we will study national income, its determination and its distribution; as well as the central macroeconomic problems: growth, business cycles, inflation and unemployment. In addition, we will examine contrasting macroeconomic theories and their implications for the effectiveness of government policy. We will also study international macroeconomics: the determination of exchange rates and trade policy. 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 an 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 2:40-3:55 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**.

Office Hours: Wednesday 3-5 and by appointment.

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

<http://econ.barnard.columbia.edu/~sharriso/f991001/>

Homework assignments will be posted on the web, and you will be required to access the various web pages to complete them.

Textbook: The required text for this class is: *Macroeconomics*, by David Colander. Though not required, you might also find the supplementary *Study Guide* and *Student Workbook* useful. All are available at the Columbia University Book Store.

Other Required Reading: In addition to assignments from the text, throughout the semester we will read newspaper (and other) articles. Through these readings, it will become clear that macroeconomics is a valuable tool that can help us understand the world around us. I have prepared a **course packet** which is available at Broadway Copy Center (at 121st; 864-6501). The cost is under \$5. In addition, I expect that you will regularly read the New York Times, focusing especially on the business section and the front page. We will discuss course packet and current readings in class; and you will be asked to evaluate them in homework assignments and on exams.

Evaluation: Your grade in this class will depend on your performance on: 1 midterm (35%); a cumulative final (45%); and homeworks (20%). The midterm will be on **Tuesday, October 26**. The teaching assistant will review the answers to the problem sets and exams in section. The final is **tentatively** scheduled for Thursday, December 16 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 the basement of Lehman, Room 10D. In addition, he will hold two identical section meetings each week. The times will be decided upon during the first week of class. Tanweer is responsible for all matters involving problem sets. Any questions regarding policies for handling problem sets should be addressed to him. Some of the policies are as follows. Late problem sets will not be accepted, and email submissions will not be accepted. You are encouraged to work in groups, but every student must hand in his or her own problem set. Answers should not be copied from others.

(Rough) Schedule of Topics to be Covered

(Chapter numbers in (.); * indicates a portion of a chapter)

WEEK 1: Sept 7, 9:

- Introduction to Economic Analysis (1)
 - Scarcity and coordination
 - Assumptions, theory and models
 - Marginal costs and benefits, opportunity costs
 - Positive and normative economics

WEEK 2: Sept 14, 16:

- The Production Possibility Curve (2*)
- Supply and Demand (3)
 - The laws of demand and supply
 - Equilibrium
 - Algebraic representation

WEEK 3: Sept 21, 23:

- Applications of Supply and Demand (4)
 - Price controls
 - Shifts in supply and demand
 - Taxes, tariffs and quotas

WEEK 4: Sept. 28, 30:

- National Income Accounting (8)
 - GDP
 - The national income accounting identity
 - Real and nominal values

WEEK 5: Oct. 5, 7:

- Macroeconomic Problems (7)
 - Economic growth
 - Business cycles
 - Unemployment
 - Inflation

WEEK 6: Oct. 12, 14:

- Money, Banking and the Financial Sector (9, 13*)
 - Functions and definitions of money
 - The creation of money
 - The money multiplier
 - Financial panics
 - The Fed and monetary policy

WEEK 7: Oct. 19, 21:

- The Keynesian Model (11)
 - The AP/AE model
 - The Multiplier
 - The Classical response

WEEK 8: Oct. 26, 28:

- **Tuesday, October 26: Midterm Exam**

- The Modern Macroeconomic Debate (10)
 - The quantity theory of money
 - Aggregate supply and aggregate demand
 - Price level flexibility
 - Policy

WEEK 9: Nov. 2, 4:

- **No class on Tuesday, November 2: Election Day Holiday**

- Fiscal Policy (12)
 - Aggregate demand management
 - Problems with fiscal policy

WEEK 10: Nov. 9, 11:

- Monetary Policy (13)
 - Monetary policy in the Keynesian and Classical models
 - Problems with monetary policy

WEEK 11: Nov. 16, 18:

- Inflation and unemployment (14)
 - Expected and unexpected inflation
 - The short run and long run Phillips Curves
 - Classical and Keynesian theories of inflation

WEEK 12: Nov. 23, 25:

- **No class on Thursday, Nov. 25: Thanksgiving Holiday**

- International macroeconomics
 - Exchange rate and trade policy (6*, 16)

WEEK 13: Nov. 30, Dec. 2:

- International macroeconomics (cont'd)
 - International dimensions of policies (15)

WEEK 14: Dec. 7, 9:

- Catch-up and Review