

INTERMEDIATE MACROECONOMIC THEORY, ECON BC 3033

BARNARD COLLEGE

Spring 2023

Syllabus

Instructor

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TA

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Overall description

This course introduces the theory of modern macroeconomics with attention focused on the determination of aggregate variables in the short-run such as income, employment, prices, and the interest rate. The first part of the course is devoted to studying the private sector behaviour in goods markets, asset markets, and money markets in order to build foundations for the Aggregate Demand determination that embodies the closed-economy IS-LM model. The model is extended with elements of the banking sector to discuss the role of financial shocks for short-run fluctuations. The labor market is presented next for the endogenous construction of output produced from the supply-side of the model. A central theme in this part of the course will be to understand the powers and limitations of macroeconomic policies (fiscal policy and monetary policy) in stabilizing the business cycle. The Phillips curve and the role of expectations are shown to illustrate the possible tradeoffs between policy targets such as inflation and unemployment. Finally, the long-run determinants of economic activity and growth are discussed in the final section of the course that introduces the Solow model.

Student Learning Goals

Students successfully completing this course will have demonstrated the ability to:

- Describe the market forces that determine the value of income, the interest rate, employment and inflation in a closed-economy framework.

- Understand the behavior of economic agents and institutions that operate in the goods market, asset markets and labor market.
- Learn the interactions between macroeconomic variables in the goods market, asset markets and labor market, and the role of economic policies to reach out specific targets.
- Solve a system of equations that determines the joint equilibrium the goods market, asset markets and labor market.
- Discuss the implications of an expectation on inflation that mirrors lagged (observed) inflation compared to the anchored expectation on the central bank inflation target.
- Examine the long-run determinants of economic growth and the transition paths to the long-run equilibrium in the Solow model.

Prerequisites

ECON BC1003 Introduction to Economic Reasoning and ECON BC1007 Math Methods for Economics.

Readings

(1) Course textbook:

Blanchard, Olivier (2020). Macroeconomics, Global Edition, 8th edition, Pearson Ed. ISBN-13: 9781292351476.

(2) Slides, classnotes, assignments

Assignment, office hours and recitations

Assigned problem sets will be provided approximately every other week. Most of these problems will be solved in class, and those that are not will have their answers available on Courseworks. Students should not submit their assignments, but they can use all their homeworks and classnotes for the Quizzes.

Office hours are offered by the instructor on Wednesdays from 1:30pm to 2:30pm (preferably in-person, but this could also be on-line if no student is at the instructor's office). The TA will be organizing recitations on Fridays, from 5:00pm to 7:00pm.

Quizzes

The evaluation of the assignments will be carried out through an in-class problem (quiz) to be individually solved by the students. Quizzes are planned at the end of

sections 3 (January 31st), 5 (February 21st), 8 (March 23rd), 9 (April 4th) and 11 (April 25th) from the schedule listed below. Open-book and class notes allowance. The lowest quiz grade will be dropped for the overall course evaluation. No make-up allowance.

Grading

Midterm exam 30%, final exam 40%, quizzes 30% (4 grades at 7.5% each).

Schedule of topics and dates

1. 1/17 Course Organization and Introduction

Syllabus review

2. 1/19 – 1/24 The Goods Market

Blanchard (2020), ch. 3

Assignment #1

3. 1/26 – 1/31 Financial Markets I

Blanchard (2020), ch. 4

Assignment #1

Quiz #1 (1/31)

4. 2/2, 2/7 and 2/9. Goods and Financial Markets: The IS-LM Model

Blanchard (2020), ch. 5

Assignment #2

5. 2/14, 2/16, and 2/21. Financial Markets II: The Extended IS-LM Model.

Blanchard (2020), ch. 6

Assignment #2

Quiz #2 (2/21)

6. 2/23, 2/28, and 3/2. The Labor Market.

Blanchard (2020), ch. 7

Assignment #3

7. 3/7 Midterm exam

8. 3/9, 3/21, and 3/23. Philips Curve, Natural Rate of Unemployment, Inflation

Blanchard (2020), ch. 8

Assignment #3

Quiz #3 (3/23)

9. 3/28, 3/30 and 4/4 From the Short to Medium Run: The IS-LM-PC Model

Blanchard (2020), ch. 9

Assignment #4

Quiz #4 (4/4)

10. 4/6, 4/11 and 4/13. Saving, Capital Accumulation, and Output

Blanchard (2020), ch. 11

Assignment #5

11. 4/18, 4/20 and 4/25. Technological Progress and Growth

Blanchard (2020), ch. 12

Assignment #5

Quiz #5 (4/25)

10. 4/27 Review and pre-final exam questions.

Accommodations:

Students who may need disability-related accommodations are encouraged to contact me as soon as possible. Students needing test or classroom accommodations must be registered in advance:

<https://barnard.edu/disability-services> for Barnard students

<https://www.health.columbia.edu/content/disability-services> for Columbia students.

Class Attendance:

- Attendance in lecture is encouraged but not required. Research shows that attending class regularly results in better course performance, so there is a substantial benefit to attending class.
- As there are no penalties for missing class, there is no need to send a note or a form or “evidence” for missing class. Please, under no circumstances ever send me (or the TA, or the preceptor) either your or someone else’s medical records.
- By contrast, **if illness, hardship, family concerns, or anything else is preventing you from succeeding in this course, feel free to let me know about your struggle.**

Classroom Policy on Electronic Devices:

Research studies have found evidence that college students perform better in non-programming courses in cases where electronic devices are not permitted to be used in the classroom. You are not permitted to use electronic devices in this course, except for: (1) laptops or other note-taking devices turned to "airplane mode" and (2) calculators. You should feel free to bring phones to class, but should refrain from using them in the classroom once class starts (unless there is an emergency). Please feel free to leave the classroom if you are needing to check important, time-sensitive messages.

Honor Code:

The Honor Code will be **strictly** enforced. The Code states:

We, the students of Barnard College, resolve to uphold the honor of the College by refraining from every form of dishonesty in our academic life. We consider it dishonest to ask for, give, or receive help in examinations or quizzes, to use any papers or books not authorized by the instructor in examinations, or to present oral work or written work which is not entirely our own, unless otherwise approved by the instructor. We consider it dishonest to remove without authorization, alter, or deface library and other academic materials. We pledge to do all that is in our power to create a spirit of honesty and honor for its own sake.

The Honor Code means that you will work independently on your project, midterm exam, and final exam; you will also avoid plagiarizing any portion of your project or your discussion question responses.