

ECNG120: Macroeconomic Theory I

Syllabus

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1 Introduction

1.1 From the official course description

Credit 4 Semester Hours.

Description This course examines theories of the short-run determination of output, employment, and prices, and long-run economic growth. Alternative macroeconomic models are presented. The course also consists of applied case study analysis of the theoretical models presented in class. Prerequisites: CECNG105, Mathematics and Statistics for Economists.

1.2 The instructor's own description

This course focuses primarily on market-clearing theories of macroeconomics. Topics covered include: inflation, interest rates, money, unemployment, government behavior, taxes and transfers, the public debt, financial intermediation, business cycles, and finally Keynesian macroeconomics.

1.3 Prerequisites

To feel comfortable in this class having taken a class in undergraduate macroeconomics would be very helpful. One important thing that will be assumed is basic calculus skills such as the ability to use derivatives and integrals. If you are lacking in preparation either in intermediary macroeconomics or basic multivariate calculus, please note discuss the matter with the instructor at the onset of this course.

1.4 Objectives of this class

The purpose of this master level class is to complete your undergraduate education in macroeconomics. The objective is *not* to make of you a macroeconomic theory guru. If you were to pursue Macroeconomics as an academic interest, you will need to take additional more theoretical classes.

A number of topics have been omitted from this class in order to focus on topics of most interest to master's students. These fall broadly on three categories. First, methodological topics and second, economic growth. These topics are the focus of Prof. Maria Luengo-Prado's class, entitled ECN G720 Macroeconomic Theory 2. Third, also omitted are topics related to international macroeconomics. These topics are covered in a separate class also taught by yours, entitled ECN G251, International Finance.

Upon completion of this class, however, you should be able to fully understand what is at stakes in the general and in financial press when it concerns Macroeconomics. For example, you should be able to frame and put in context discussions regarding the evolution of fiscal and monetary policy. You should have an understanding and form some informed opinion regarding the macroeconomic implications of budget deficits. You should comprehend what is at stake when this or that country is experiencing inflation. Finally, if you were to be interviewed for a job related to Macroeconomics, you should sound like you are well-read, aware of the big issues, able to form an opinion and that you have a good grasp of the fundamental conceptual tools in the field.

1.5 Structure of this class

This class is structured into three parts:

1. In the first section, the emphasis is put on money and monetary policy. We will also discuss inflation, interest rates and financial intermediation. This will be the occasion to study how modern macroeconomists think about these variables and the related issues. This section will be concluded by our first midterm.
2. In the section section, the emphasis is put on unemployment and how the monetary sector and its interactions with the rest of the economy, the so-called real sector. We will take a look at neo-Keynesian macroeconomics and how their predictions differ from market clearing macroeconomics and how neo-Keynesian theories can explain for the real effects of monetary policy.
3. In the third section, the emphasis is put on government behavior. We will focus on government consumption, taxes, transfers and the public debt. This section will be concluded by our comprehensive final exam.

2 Administrative

2.1 Contact information

Instructor Jean-Philippe Stijns.

Mailing address 301 Lake Hall.

Phone (617)373-8427.

Email j.stijns@neu.edu.

Blackboard I will use Blackboard to communicate with you throughout this class. For example, I will use Blackboard to post assignments (homeworks etc.) as well as the corresponding answer keys. Also, I will use Blackboard's email feature to broadcast announcements. Please make sure to update your default email in Blackboard to an account you check regularly. Link to Blackboard: <http://blackboard.neu.edu/>

2.2 Office Hours

Office 321 Lake Hall.

Office Hours TBA and by appointment.

Note I realize that my office hours will never be able to meet everyone's tight work or study schedule. That is why I offer to hold office hours by appointment outside of these official times. I do honor this commitment and I always end up being rather generous with my time. However, I ask that you make an appointment before coming to my office, and I request at least 24 hours notice. The reason is that I am on tenure track and, as such, my academic responsibilities entail more than teaching: I need to publish regularly in scholarly journals. Further, when I prepare for class, to do a good job, I need to be able to concentrate. Obviously, being regularly interrupted does not quite help concentration. Please be considerate of this and keep in mind that I have about several dozens students to teach this Spring semester. What may sound like a reasonable time commitment on an individual basis can quickly become unmanageable when multiplied by many students.

2.3 Lectures

Place 128 Ryder Hall

Time Mon/Th: 4-5:30 p.m.

2.4 Grading

2.4.1 Student assessments

- There will be homeworks.
- There will be one midterm and a final exam. The final exam is *comprehensive*.

- Students are offered the opportunity to submit a review of Robert J. Shiller's (2005) book. The basic idea behind a book review is to offer a prospective reader advice as to whether it is worth reading a book. Any format you elect that achieves this goal is fine. Typically, a book review contains an introduction summarizing the book's topic, a section breaking down the book's structure and content, and a conclusion expressing praise and/or criticism towards the book. *This assignment is optional.* Sources of inspiration for book review format include the *New York Times* and the *Journal of Economic Literature*. Also, the English Department offers a Writing Center (<http://www.owl.neu.edu/>). They have office hours and their tutors can help at every stage of the process of writing your book review. Note that you are asked to write a piece of literature. You are, however, expected to write your book review in grammatically and semantically correct English.
- I observe a zero tolerance policy towards plagiarism in accordance with Northeastern's and the Department of Economics' rules. You must quote every bit of text you take from another author and cite other authors if you use their ideas (within the text and adding the corresponding reference to your reference section.)

2.4.2 Approximate and tentative weights

- Homeworks: 30%;
- Midterm: 30%;
- Final: 40%.

Note i These weights are indicative, the instructor reserves the prerogative to adjust them as the class evolves and feedback is received.

Note ii The optional assignment, *i.e.* the book review, only affects the student's grade at the very end when letter grades are assigned. The grade received for the book review is used to decide whether a student should receive, *e.g.* a B+ or an A-. Only a good book review can make a difference to a student's letter grade. Simply completing the formal requirement of the book review is not enough to get a half letter grade advantage. However, a truly excellent book review has the potential to raise a student's grade by as much as a full letter grade.

Note iii If you are to miss the midterm or the final, you will be offered a chance to make up for it under the form of an *oral* exam.

3 Course material

3.1 Main texts

- Barro, Robert J. *Macroeconomics 5/e*, 1997, The MIT Press. Intermediary

ISBN 0262024365. *Note: you are required to purchase this textbook (new or used).*

- **Shiller, Robert J.** *Irrational Exuberance 2/e*, 2005, Princeton University Press. ISBN 0691123357. *Note: you are encouraged but not required to purchase this book.* Non-technical

Both textbook and the book for the optional review are available from the campus store. The [Northeastern University Bookstore](#) is located on the lower level of Ell Hall (adjacent to the Curry Student Center). The bookstore's phone number is 617-373-2286.

3.2 Optional references

1. **Gordon, Robert J.**, *Macroeconomics 9/e*, 2002, Pearson Addison Wesley. Introductory
2. **De Long, J. Bradford**, *Macroeconomics (Revised Edition)*, 2002, McGraw Hill Text. Introductory
3. **Kennedy, Peter**, *Macroeconomic Essentials: Understanding Economics in the News 2/e*, 2000, MIT Press. Introductory
4. **Romer, David**, *Advanced Macroeconomics 3/e*, 2005, McGraw-Hill/Irwin. Advanced
5. **Stiglitz, Joseph E.**, *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, 2004, W. W. Norton & Company. Non-technical

4 Student responsibilities

Attend ALL classes (except for strictly serious reasons, of course.) Roll will not be taken but you are upon the honor code expected to play your part in this “community of learning.” If you think you might need some understanding from me at any point during the semester, you will want to show up in class. Besides, you are now in graduate school, and your work ethics should be the same as what it would be in a high responsibility job.

Prepare for class This means that you are expected to come to class having read *all* the assigned reading before class meets. In other words, reading happens before coming to class, not after. Class serves to structure, discuss and summarize the material. It is a complement, not a substitute to reading the material. I have purposely limited the amount of reading to make it manageable. Typically, you are asked to read one textbook chapter per week.

Stay on top of the news especially as they relate to macroeconomics. This is something you can expect to be tested on, possibly on the homeworks, the midterm and on the final. You are *required* to subscribe to a financial

newspaper for the duration of the class. To follow domestic International Economics related news, the Financial Times is your best option. The Wall Street Journal is a quality alternative. In complement, you can read The Economist (HB1.E5350).

Enough warnings and rules, enjoy this class! Macroeconomic Theory is a fascinating topic, always affected by current events and full of policy implications. Welcome to those of you who are new to Northeastern University or to the Department of Economics! And welcome back to the rest of you!