

ECN 106 Macroeconomics I

2011/12

Lecturer: Dr. Giulio Fella, g.fella@qmul.ac.uk

Office hours: Monday 10-12 Room W302

Lectures: Friday 3-5p.m. Mason Lecture Theatre

Aims

The course is an introduction to what economists know about how goods, labour and financial markets interact to determine aggregate variables (in particular output, employment and the aggregate price level). It aims to provide the essential concepts to understand the economic debate in the press and the foundations for further study in macroeconomics.

Learning outcomes

On successful completion of the course you should: be familiar with the main macroeconomic variables; understand when and how fiscal and monetary policy and other shocks affect the level and composition of aggregate output, the unemployment rate and the aggregate price level in a closed economy.

Assessment

The final mark for the course will be made up of two components. 20% of the overall mark will be determined by your average mark in two mid-term tests held during classes. The date of each test will be announced ONE week in advance. The remaining 80% of the final mark is determined by your mark in the two-hour, end-of-year exam.

Course organization

1. The course is articulated in eleven two-hour lectures and ten one-hour classes. Classes are compulsory and are essential for learning. Their purpose is to discuss the solutions to the weekly problem sets which cover the content of the previous week's lecture.
2. All course material, other than the textbook, and any last-minute information will be available on WebCT (<http://www.elearning.qmul.ac.uk>). Lecture slides will be available on WebCT every Thursday afternoon, so that you can bring the printed slides for the lecture to write your notes on.¹ Lecturer slides are not a substitute for the textbook, and attendance to lectures is crucial for learning their content. The text of the weekly problems sets will also be available on WebCT every Thursday of the week before the exercises are due. You should bring your own copy to your allocated class.
3. If you have any questions regarding the course you can come to see me during office hours (Monday 10-12, room W302) or send me an email to book an appointment outside office hours.
4. I publish links to (optional) reading material relevant to the course at <http://www.diigo.com/list/giu123/macro1>. You may want to take a look from time to time.

¹Note that the links to ALL the lecture notes and problem sets are already on WebCT but the corresponding files will be uploaded only on the Thursday before the relevant lecture.

5. Revision guidance for the mid-term tests will be provided during the lecture of the week before the tests. Guidance on the May exam will be provided in the last lecture.
6. Marks of mid-term tests will be published (when available) via WebCT (use the “MyGrade” tool). Answers for the tests questions will be also published after the marks are published. Answers to past exam papers are not available.

Required readings

The official, and compulsory, textbook for the course is:

(M) Mankiw, N. Gregory (2009), *Macroeconomics*, International Edition, 7th ed. Worth Publ.

Lecture 3 will also follow chapters 6-3 to 6-5 in:

(B) Blanchard, Olivier *Macroeconomics*, 4th edition, Prentice Hall which I will upload on WebCT.

The lecture notes (LN) are also compulsory reading material.

Syllabus

Week 1. The science of macroeconomics? How economists think.

LN 1, M Ch. 1

The data of macroeconomics. Stocks and flows.

LN 1, M Ch. 2

Week 2. What determines the demand for goods and services. Goods market equilibrium and the IS curve.

LN 2, M Ch. 3-3, 10-1

Week 3. What determines the supply of goods and services in the long run: labour market equilibrium. Output and real interest rate determination in the long run.

LN 3, B Ch. 6-3, 6-4, 6-5, M Ch. 3-1, 3-4, 3-5

Week 4. Money market equilibrium and the LM curve. Real vs nominal interest rate. Fisher equation.

LN 4, M Ch. 4-1, 4-4, 4-5, 4-8, 10-2

Week 5. Price determination in the long run. The classical dichotomy. Aggregate demand.

LN 5, M Ch. 4-2, 4-8, 9-3, 11-2(Section 1)

Week 6. Introduction to business cycle fluctuations. How the short run and long run differ: labour market equilibrium. Aggregate supply.

LN 6, M Ch. 9-1, 9-2, 9-4,

Week 7. Reading week

Week 8. Short-run equilibrium. Business-cycle fluctuations.

LN 7, M 11-1, 11-2(Section 2), 9-5

Week 9. Banks and money. The money supply multiplier.

LN 8, M 19-1

Week 10. Financial crises. The Great Depression.

LN 9, M 11-3, 15-1

Week 11. The Great Recession of 2008-09. The liquidity trap. Stabilization policy in a liquidity trap.

LN 10