

Macroeconomics, 1st module, academic year 2004-2005

Introduction to Macroeconomics: Economy in the Long Run

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The motivation of the course.

This is the first and introductory part of the required macroeconomic sequence at NES. The goal of this module, in combination with the second module, is to introduce the students to all major issues of macroeconomics and semi-formal modeling methods of macroeconomic processes. The first two modules are called to develop intuition and substantive understanding of macroeconomics, which will later be formalized in the subsequent modules.

The first module will focus on macroeconomics of the long run, starting with economic growth and accumulation of capital, as well as the neo-classical description of general macroeconomic equilibrium for a given amount of capital in the economy. Short-run fluctuations will be discussed in the second module.

Texts.

The primary text is

Mankiw, N. Gregory, "Macroeconomics," Worth Publishers, New York, 2003, 2000, 1997, 1994, 1992, further denoted **Mankiw**.

The lectures in the first module will most closely follow the **Mankiw** book, hence, this book should be regarded as the main text for the course. Another text, which will be referred to on many occasions during the course, is

Jeffrey D. Sachs and Felipe Larrain B., Macroeconomics in the Global Economy, Prentice-Hall, Inc., first edition, 1993, further denoted **SL**.

The text is available in many copies at the NES library. Only excerpts from **SL** will be used directly in this course. At the same time, **SL** covers a lot more models and issues than **Mankiw**; therefore, students with prior background in economics may find it more interesting and useful to read **SL**. Students, who did not study macroeconomics before, may find **Mankiw** less confusing.

Finally, a useful book to keep in mind is

Dornbusch, Rudiger, and Fischer, Stanley, (later editions with Richard Startz) "Macroeconomics," McGraw-Hill, 1981-2003 (9 editions).

This book was used extensively in many universities in the world and for some time was regarded as the most widely used book to teach macroeconomics. Many copies of an old edition are available at the NES library. However, it will not be used directly during Macroeconomis-1 at NES.

Grading system.

There will be two exams during the course: a shorter midterm quiz, which will take place in section during the fourth week, and the final exam. The course grade will be determined 30% from the midterm quiz, 50% from the final exam, and 20% from the mandatory homework assignments.

There will be no make-up for the midterm quiz. If a student needs to miss the midterm due to an emergency, this emergency needs to be documented (if possible, prior to the exam), and 100% of the grade will then be determined from the final examination.

Tentative schedule.

- I. Introduction and national income accounting (2 lectures)
Mankiw, Ch. 1-2.
SL, Ch. 1-2.
- II. Factor markets and macroeconomic equilibrium (3 lectures)
Mankiw, Ch. 3.
SL, Ch. 3, 5
- III. Economic growth: the Solow model (3 lectures)
Mankiw, Ch. 7-8.
SL, Ch. 18
- IV. Investment (1 lecture)
Mankiw, Ch. 17
SL, Ch. 5.
- V. Money and inflation (3 lectures)
Mankiw, Ch. 4, 18
SL, Ch. 8-9.
- VI. The open economy (2 lectures)
Mankiw, Ch. 5
SL, Ch. 6, 10.
- VII. Unemployment (time-permitting)
Mankiw, Ch. 6