

SOSC120005

Macroeconomics

Fall 2018

Instructor: Prof. Zhuoran Lu

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Office Hour: Tuesdays and Thursdays, from 11:00 to 12:00

Lecture: Thursdays, from 13:30 to 16:10. Classroom: H6305

Course Prerequisite: Microeconomics

Course Description: This course analyzes economic aggregates, or the “macro” economy. It explains the determination of the economy’s aggregate output of goods and services, the price level and the level of employment. The theoretical framework is then expanded and applied to such persistent macroeconomic issues as inflation, unemployment, and fiscal and monetary policy. An economic growth model is developed to analyze the determinants of economic growth and the relationship between economic growth and economic welfare. Sources of instability and the role of stabilization policies in closed and open economies are analyzed, along with some of the central controversies in macroeconomic theory and policy. By the end of the course, students should be able to summarize the major macroeconomic theories developed to explain a national economy’s growth and fluctuations, and the relationships among variables such as GDP, the money supply, the unemployment rate, the inflation rate, interest rates, and the exchange rate.

Course Objectives: The primary purpose of this course is to introduce the modern approach to macroeconomics and how to apply it to analyzing macroeconomic issues such as: the determination of national income and price levels in the closed or open economy, the sources of unemployment, the causes of economic growth, and the origin of business cycles. It also puts a strong emphasis on the role of monetary and fiscal policy in the economy.

Textbook: The required textbook is Macroeconomics, N. Gregory Mankiw, 9th edition, Worth Publishers. The 8th Edition is fine. You can also buy older editions. In this case, you are responsible for finding the material covered in class. In addition, you are encouraged to read the Wall Street Journal, Financial Times, or China Business News to keep current on economic issues.

Homework: Problem sets will be assigned and will be graded primarily for completeness. Late homework will not be accepted for any reason. Problem sets are designed to enable students to become proficient using the concepts and analytical methods presented in the lectures and readings. They provide excellent practice for the exams. Students who do not work these problems should expect to do poorly on the exams. Students may collaborate on problem sets, although each must submit her/his own answers in her/his own words.

Exams: There will be one midterm and one comprehensive final exam. All exams are closed book and closed note. Midterm exam will be given in class, the time of which depends on the teaching progress. A cumulative final exam will be given on Thursday, January 10, 2019, from 13:00 to 15:00. The time the final exam cannot be changed, and alternative exam times will not be offered, so please resolve any conflicts now. Practice exams will be provided on *elearning*. They give a good indication of the style and level of questions likely to be on the exams you will be given.

Grading: Your final grade will be based on homework, a midterm and a comprehensive final exam. Homework will count 20% of the final grade, the midterm will count 30%, and the final will count the remaining 50%.

Course Schedule: The schedule of topics covered in lectures will approximate the schedule below. The schedule may be subject to change.

Tentative Outline

Part I Introduction and Classical Theory
<p>Lecture 1</p> <ol style="list-style-type: none"> 1. What Macroeconomists Study: Positive and Normative (Growth and Stability) 2. How Economists Think: Models 3. The Data of Macroeconomics: Three Indicators of Macroeconomic Performance, GDP, CPI and Unemployment Rate <p>Lecture 2 National Income: Where It Comes from and Where It Goes</p> <p>Lecture 3 The Monetary System: What It Is and How It Works</p> <p>Lecture 4 Inflation: Its Causes, Effects, and Social Costs</p> <p>Lecture 5 Unemployment and the Labor Market</p>
Part II Growth Theory: The Economy in the Very Long Run
Lecture 6

Economic Growth I: Capital Accumulation and Population Growth

Lecture 7

Economic Growth II: Technology, Empirics and Policy

Part III Business Cycle Theory: The Economy in the Short Run

Lecture 8

Introduction to Economic Fluctuations

Lecture 9

Aggregate Demand in a Closed Economy: IS-LM Model (1/2)

Lecture 10

Aggregate Demand in a Closed Economy: IS-LM Model (2/2)

Lecture 11

Aggregate Demand in an Open Economy: Mundell-Fleming Model (1/2)

Lecture 12

Aggregate Demand in an Open Economy: Mundell-Fleming Model (2/2)

Lecture 13

Aggregate Supply and the Short-Run Tradeoff between Inflation and Unemployment

Part IV Micro Foundations Underlying Macroeconomics

Lecture 14

Understanding Consumer Behavior

Lecture 15

The Theory of Investment

Part V Macroeconomic Policy

Lecture 16

Stabilization Policy