

**EC2010 Intermediate Economics
Macroeconomics Module
Michaelmas Term 2007**

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Office hours: Wednesday, 10:00 – 12:00

Lectures: Monday, 11:00, 2043; Tuesday, 10:00, 1008.

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Module description

This module provides an overview of macroeconomic analysis. It is an intermediate course and the material covered in EC1010 Introduction to Economics is the starting point. Students should revise introductory principles as we proceed if necessary.

This module takes a three-step approach. In the **short run** movements in output are largely driven by movements in aggregate demand and supply constraints can be ignored. The IS-LM model is derived completely and the effects of fiscal policy and monetary policy on output and the interest rate are discussed. In the **medium run** both supply and demand movements will determine output. The labour market is introduced, the AS-AD model is derived and used to examine the impact of various policies on the economy in the short run and in the medium run. Finally, in the **long run** output growth will be determined by capital accumulation and the state of technology.

We will study the sources of fluctuations in economic activity and the policy responses that help mitigating such fluctuations. We will also seek to understand why different countries have different long-run growth rates and different levels of prosperity. We shall make use of theoretical macroeconomic models and apply them to design policy recommendations.

Tutorials

Tutorials will take place weekly and begin in week 2. Assignments will be posted on my webpage. Tutorials are an integral part of the course and provide for an excellent preparation for term tests and annual examinations. Students will be expected to prepare answers to the questions before the tutorial.

Assessment

There will be a two-hour **term test** during week 10 of Michaelmas Term. This term test account for 20% of the total mark in Intermediate Economics. Unexcused absences will result in a mark of 0% being awarded. The three-hour **annual examination** contains five questions in the macroeconomics section and five questions in the microeconomics section. Students must answer one compulsory question in each section, and four more questions, two from each section. The following table provides an example. A total of six questions (in bold) must be answered. The student has answered the two compulsory questions and chosen to answer questions 3 and 5 in macroeconomics, and questions 4 and 5 in microeconomics.

Macroeconomics	Microeconomics
Compulsory question	Compulsory question
Question 2	Question 2
Question 3	Question 3
Question 4	Question 4
Question 5	Question 5

Readings

This part of the course is based on the following textbook:

Blanchard, Olivier (2006), *Macroeconomics*, 4th edition, Pearson Prentice Hall

Copies of the book have been ordered in bookshops. Optional further readings will be posted on my webpage. Interested readers can also consult Brian Snowdon and Howard Vane's *A Macroeconomics Reader*, 1997, as well as their *Conversations with Leading Economists: Interpreting Modern Macroeconomics*, 2000.

Course outline

1. What is macroeconomics about? What are the facts?

Blanchard, chp. 1-2.

2. The short run: the IS-LM model

Blanchard, chp. 3-5 (except sections 4.3, 4.4), chp. 22.

3. The medium run: the labour market

Blanchard, chp. 6.

4. The medium run: the AS-AD model

Blanchard, chp. 7.

5. The medium run: the natural rate of unemployment and the Phillips curve

Blanchard, chp. 8.

6. The medium run: economic activity, inflation and money growth

Blanchard, chp. 9.

7. The long run: the facts of growth

Blanchard, chp. 10.

8. The long run: capital accumulation and technological progress

Blanchard, chp. 11, sections 11-1 and 11-2.