

**SCHOOL OF ECONOMICS
SINGAPORE MANAGEMENT UNIVERSITY**

ECON 102B – INTERMEDIATE MACROECONOMICS B

Term I, 2008-2009

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Course Objectives and Overview

This course seeks to introduce students to modern macroeconomic theory via formal macroeconomic models based on microfoundations. These models will then be used to analyse macroeconomic events and the scope and welfare implications of macroeconomic policies.

The course will be divided into three parts. The first part will develop a coherent macroeconomic framework based on microeconomic foundations. The framework will be applied to obtain a better understanding of key macroeconomic issues such as social security. The framework will subsequently be used to study business cycles in the second part of the course and growth in the third part of the course.

The course is rigorous and is conducted at a fast pace. A thorough understanding of the material to be covered will therefore require consistent effort. It is recommended that students clarify doubts at the earliest either by contacting myself or the teaching assistants, or through group discussions with fellow students. Problem sets will be an integral part of the course and it is imperative that students attempt all problems.

Class Sessions

TBA

Assessment & Evaluation

1. Class participation 10%
2. Mid-Term Examination (Closed Book) 40%
3. Final Examination (Closed Book) 50%

Required Text

Stephen D. Williamson, *Macroeconomics*, Pearson Addison Wesley, Third Edition

The course will go beyond the level of analysis in the main text of Williamson's book. The approach will be more mathematical, though no knowledge of mathematics beyond basic algebra and basic differentiation is required

Supplementary References

The following are optional references that may be useful.

Robert J.Barro, Macroeconomics: A Modern Approach, Thomson (South-Western)

Charles I. Jones, Economic Growth, W.W. Norton and Company, Second Edition

David N.Weil, Economic Growth, Addison Wesley

Course Schedule

Week		Topics	Chapter
1	Starting 18 August 2008	<u>Part 1: Microfoundations of Macroeconomics</u> Consumption and Savings: A two-period model An individuals problem The optimal consumption and savings decision Consumption smoothing	8
2	Starting 25 August	Consumption and Savings: A two-period model (cont.) Impact of changes in income and the interest rate General Equilibrium	8
3	Starting 1 September	Consumption and Savings: Policy applications Taxes and the Ricardian equivalence Social Security	8
4	Starting 8 September	The Complete Real Intertemporal Model Consumers: Consumption and labour supply Firms: Investment and labour demand Government	9
5	Starting 15 September	The Complete Real Intertemporal Model (cont.) Equilibrium Impact of changes in government expenditures	9
6	Starting 22 September	Money and Monetary Policy Cash-in-Advance constraint The neutrality of money	10
7	Starting 29 September	<u>Part 2: Business Cycles</u> Introduction Data Real Business Cycles Impact of technology shocks	3, 11
8	Starting 6	RECESS	

	October		
9	Starting 13 October	Midterm Examination Keynesian Models of the Business Cycle The IS-LM and AS-AD framework Sticky wages and sticky prices	12,16
10	Starting 20 October	Keynesian Models of the Business Cycle (cont.) The IS-LM and AS-AD framework Sticky wages and sticky prices	12,16
11	Starting 27 October	The Phillips Curve: Unemployment and Monetary Policy (time permitting) Friedman-Lucas Money Surprise model The Phillips curve Central Bank Independence	17
12	Starting 3 November	<u>Part 3: Growth</u> Introduction Data and The Basic Solow Model	6
13	Starting 10 November	Modern Growth Theory The extended Solow Model The Lucas Model	6,7
14	Starting 17 November	Revision Week	
15	Starting 24 November	Examination	