

**SCHOOL OF ECONOMICS - SINGAPORE MANAGEMENT UNIVERSITY
ECON 102B - INTERMEDIATE MACROECONOMICS B**

Term II 2008-2009

Instructor: Assistant Professor Zhang Haiping
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Course Objectives and Organization:

This course aims to provide you with necessary tools to understand current macroeconomic phenomena and analyze policy-related issues, e.g., economic growth, business cycles, monetary and fiscal policy. To that end, we will first introduce you the micro-founded approach to macroeconomics. We will then apply this approach to current macroeconomic issues and analyze the driving forces behind them. At the end of this course, you should be able to 1) use macroeconomic models to give numerical and graphical solutions to problems, 2) distinguish between the long run and the short run in macroeconomics, 3) evaluate the assumptions and limitations of various models.

This course consists of three parts. Part I develops a general equilibrium framework based on the optimization behaviors of consumers, firms, and government. Some concepts that you may have learned in your microeconomics courses are combined together for the macroeconomic purposes. Part II uses this framework to explore the causes of cross-country income difference. We then discuss how relevant policies may help promote economic growth. Part III focuses on the short-run economic volatility. We use the real business cycle models and the Keynesian business cycle models to disentangle the underlying causes of cyclical behaviors of macroeconomic variables, e.g., inflation, unemployment, interest rate, etc. We then analyze the short-run impacts of fiscal and monetary policy on the macroeconomy.

Besides learning the concepts of major macroeconomic variables and their relationships in the short run and in the long run, you are also expected to get familiar with the way of economic thinking in terms of identifying the main issues, addressing objective and constraints of participants in the economy, solving their respective optimization problems, and understanding how market coordinates the behaviors of individual players.

Class Sessions:

tba

Consultations:

tba

Assessment & Evaluation:

1. Class Participation	10%
2. Problem sets	15%
3. Mid-term Examination (Closed-book)	35%
4. Final examination (Closed-book)	40%

Textbook:

- **Required:** Stephen D. Williamson, *Macroeconomics*, Addison Wesley, 3rd Edition, 2008.
- **Recommended:** G. Mankiw, *Macroeconomics*, Worth Publishers, 6th Edition, 2006

Course Schedule:

Week		Topics	Chapter
1	Starting on 05 Jan.	Introduction to Macroeconomics <ul style="list-style-type: none"> • Major Topics and Some examples on Macroeconomics • Course organization Measurement	1, 2
2	Starting on 12 Jan.	<u>Part I: Microfounded Approach to Macroeconomics</u> Determining Aggregate Labor Input: A One-Period Model <ul style="list-style-type: none"> • The optimal labor supply of the representative consumer • The optimal labor demand of the representative firm • Competitive equilibrium and Pareto optimality • Changes in government policy and TFP 	4, 5
3	Starting on 19 Jan.	Determining Aggregate Saving: A Two-Period Model <ul style="list-style-type: none"> • The optimal saving decision of consumers • Impact of changes in income and the interest rate • Ricardian equivalence, Social security 	8
4	Starting on 26 Jan.	A Real Intertemporal Model with Investment <ul style="list-style-type: none"> • Consumers: consumption and labor supply • Firms: investment and labor demand • Government General Equilibrium Analysis with Intertemporal Optimization <ul style="list-style-type: none"> • Changes in government expenditure • Change in total factor productivity • Change in aggregate capital stock 	9
5	Starting on 02 Feb.	Monetary Intertemporal Model <ul style="list-style-type: none"> • Functions of money • Cash-in-advance constraints • Neutrality of Money and Friedman rule 	10, 15
6	Starting on 9 Feb.	<u>Part II: Economic Growth</u> Introduction <ul style="list-style-type: none"> • Cross-country income difference The Solow Model <ul style="list-style-type: none"> • Exogenous saving rates • Consumer optimization 	6

7	Starting on 16 Feb.	Modern Theory of Economic Growth <ul style="list-style-type: none"> • Solow Model with Technological Progress • Endogenous Human Capital Accumulation • Research and Development 	7
8	Starting on 23 Feb.	Recess	
9	Starting on 02 Mar.	Midterm Exam <u>Part III Business Cycles</u> <ul style="list-style-type: none"> • Facts 	3
10	Starting on 9 Mar.	Market-Clearing Models of the Business Cycle <ul style="list-style-type: none"> • Real Business Cycle Model • Segmented Market Model 	11
11	Starting on 16 Mar.	Keynesian Sticky Wage Model <ul style="list-style-type: none"> • Aggregate Supply: Sticky Nominal Wage • Aggregate Demand: IS-LM • AS-AD framework • Stabilization Policy: Monetary and Fiscal Policy 	12
12	Starting on 23 Mar.	Unemployment <ul style="list-style-type: none"> • Search Model • Efficiency Wage Model 	16
13	Starting on 30 Mar.	Optimal Monetary Policy <ul style="list-style-type: none"> • Phillips Curve • Money Surprise Model • Central Bank Commitment Problem 	17
14	Starting on 06 Apr.	Revision	
15	Starting on 13 Apr.	Final Exam	