

Intermediate Macroeconomics (V31.0012)
M-W, 2:00-3:15, CANT 102
Fall 2008, New York University
Instructor: Virgiliu Midrigan

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Objectives

We will examine the determinants of long-run growth and aggregate fluctuations (business cycles), as well as study inflation, unemployment, fiscal and monetary policy, and issues in international trade. We will use the modern (equilibrium) approach to study macroeconomics. That is, we will be explicit about the assumptions (on preferences, technology, resource constraints) we make, require that our models are internally consistent, and examine macroeconomic time-series through the lens of these models.

Prerequisites

V31.0001, V31.0002, V63.0121 (Calculus I)

Although a thorough knowledge of calculus is not essential for success in this course, I will assume that students are able to perform algebraic manipulations and are familiar with a) logarithmic and exponential functions, b) limits, c) derivatives and integrals, d) maximization and minimization of functions.

Course Requirements

Homeworks (announced in class, and posted on the Blackboard): **20%**
Midterm (October 20, in class): **35%**
Final (to be administered during Finals Week): **45%**

Attendance is strongly encouraged as some of the material I will present is not covered in the textbook. Homeworks will be graded on a 0/1 basis: you receive a 1 if you submit it on time and make an honest effort to solve all problems. Working on these problems in groups is ok, but each student should submit his or her own handwritten solutions. Exams will include a combination of multiple choice questions and quantitative exercises. The Final is comprehensive and covers all material from day 1.

Reading Materials

Stephen Williamson, *Macroeconomics*, 3rd Edition
Additional Short Readings (to be posted on the Blackboard)
Slides from the lectures (to be posted on the Blackboard)

Outline and Required Readings

1. Introduction to Macroeconomics and Measurement Issues (2 lectures)

Williamson (chapters 1-2)

Chari, VV and Patrick Kehoe, 2006, "Modern Macroeconomics in Practice: How Theory Is Shaping Policy," FRB Minneapolis SR 376

Chari, V.V., 1999, "Nobel Laureate Robert E. Lucas, Jr.: Architect of Modern Macroeconomics," FRB Minneapolis QR

2. Consumer and Firm Behavior, Equilibrium in 1-period model (2-3 lectures)

Williamson (chapters 4-5)

Hayek, 1945, "The Use of Knowledge in Society," American Economic Review, 35(4): 519-530

3. Growth facts, Malthusian, Solow, Endogenous Growth Models (3 lectures)

Williamson (chapter 6, 7)

Sill, Keith, 2008, "The Evolution of World Income Distribution," FRB Philadelphia Quarterly Review, Q2, pp 23-32

4. Consumption, Savings, Investment (2 lectures)

Williamson (chapter 8, 9)

5. Business Cycle Facts and Real Business Cycle Model (2-3 lectures)

Williamson (chapter 3, 11)

6. Unemployment (1 lecture)

Williamson (chapter 16)

7. Money, Prices, Inflation (2 lectures)

Williamson (chapter 10, 15)

Cynthia Crossen, "How John Law's Failed Experiment Gave Us a New Work: "Millionaire", excerpt from "The Rich and How They Got That Way," reprinted in Wall Street Journal, July 19, 2000

8. Monetary Non-Neutrality and Monetary Policy (2-3 lectures)

Williamson (chapter 12, 17)

9. Banking and Financial Crises (1-2 lectures)

Williamson (chapter 15)

Cecchetti, Stephen, 2008, "Monetary Policy and the Financial Crisis of 2007-2008," CEPR Policy Insight No. 21

Elul, Ronen, 2008, "Liquidity Crises," FRB Philadelphia Quarterly Review, Q2, pp. 13-22

10. International Trade (2 lectures)

Williamson (chapter 13)

Alessandria, George, 2007, "Trade Deficits Aren't as Bad as You Think," FRB Philadelphia Quarterly Review, Q1, pp 1-10

11. International Relative Prices (1-2 lectures)

Williamson (chapter 14)

Alessandria, George and Joseph Kaboski, 2008, "Why Are Goods So Cheap in Some Countries," FRB Philadelphia Quarterly Review, Q2, pp 1-12