

TUFTS UNIVERSITY
Department of Economics

INTERMEDIATE MACROECONOMIC THEORY

EC12-2, Autumn 2001

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111 Braker Hall

OH: Tu 10:30-11:30, F 11:30-12:30PM, or by appointment

The Web Page for this course is: www.tufts.edu/~mbiancon/ec12.html

Class Meets: TWF 9:30-10:20AM at Braker 222

Course Requirements:

Two Mid Term Hour-Exams (25% each) - W Oct 10, T Nov 13

One Final Exam - Two Hours (30%) – W, Dec 19, 7:00-9:00PM

One Reading Report (15%) – Due on F, Dec 7 by 5:00PM

Class Participation and Attendance (5%)

{Policy on Exams and Reading Report: There is no make-up exam, dates are predetermined and will not be changed for any student; Reading report loses 50% of its value for each late day.}

Recommended Texts:

Barro, Robert J. (1997) Macroeconomics. Fifth Edition. The MIT Press, Cambridge, MA. This book gives the essence of the classical approach to macroeconomics based on the microeconomic principles of rationality, we shall follow it closely. Any chapter of this textbook can form the basis for the reading report. Available for purchase at the bookstore.

Thaler, Richard H. (1992) The Winner's Curse: Paradoxes and Anomalies of Economic Life. Princeton University Press, Princeton, NJ. Gives a series of interesting cases where some of the premises and assumptions of the classical paradigm fail, mainly as related to individual rationality. Available for purchase at the bookstore.

Recommended Readings:

Barro, Robert J. (1996) Getting it Right: Markets and Choices in a Free Society. The MIT Press, Cambridge, MA. An useful discussion of the free market approach to macroeconomics with applications to real world issues. Available at the Tisch Library. Suitable for the Reading Report.

Becker, Gary S. and Guity N. Becker (1997) The Economics of Life: From Baseball to Affirmative Action to Immigration, How Real-World Issues Affect Our Everyday Life. McGraw Hill Book Co., New York, NY. Collection of short essays on a variety of subjects of general and particular interest to economists and alike. Available at the Tisch Library. Suitable for the Reading Report.

Bernstein, Peter L. (1992) Capital Ideas: The Improbable Origins of Modern Wall Street. The Free Press, New York, NY. A very entertaining account of the origins of Wall Street with focus on some of the great social scientists of our times as well as their contributions to modern asset market theory and practice. Available at the Tisch Library. Suitable for the reading report.

Blanchard, Olivier (1997) Macroeconomics. Prentice Hall, New Jersey, NJ. A clear presentation of the Keynesian view of macroeconomics. Available at the Tisch Library.

Dornbusch, Rudiger, Stanley Fischer, and Richard Startz (1998) Macroeconomics, Seventh Edition. Irwin-McGraw-Hill, New York, NY. An older and less intense, but newly revised, macro textbook with a balanced coverage of Keynesian and Classical views. Available at the Tisch Library.

Frank, Robert H. and Philip J. Cook (1995) The Winner-take-all Society : how more and more Americans compete for ever fewer and bigger prizes, encouraging economic waste, income inequality, and an impoverished cultural life . New York : The Free Press. This is a very interesting and amusing book that criticizes the marginalist approach to economic rewards with plenty of examples from real life (economics of sports for example) and activity. Available at the Tisch Library.

Orwell, George (1946) "Politics and the English Language." A Collection of Essays, George Orwell. Harcourt Brace, New York, NY (1981). Essay about writing and transmitting ideas and thoughts in English. To be handed out in class.

Thaler, Richard H. (1991) Quasi rational economics. New York : Russell Sage Foundation. Another of Thaler's book where attention is paid to deviations from full rationality in economic activity and thinking. Available at the Tisch Library.

Thaler, Richard H.; Editor (1993) Advances in behavioral finance . New York : Russell Sage Foundation. Another of Thaler's book where attention is paid to deviations from full rationality in financial markets.

The Reading Report:

You are responsible for handing in a Reading Report of one of the assigned Recommended Readings mentioned above (those that are suitable for the report). This report consists of an essay (of a maximum of 10 double spaced typed pages) where you formulate a question that you can answer using the material that you read. In other words, you shall read the material and frame a question in a way that it can be plausibly answered with the information and knowledge you acquire in the reading. This reading report is due on F, Dec 7.

Note: Other intermediate macroeconomics textbooks can be consulted for the reading report and class material in general. Some of the popular authors are: N. Gregory Mankiw (economic growth material is recommended); Robert Hall and John Taylor (labor markets material is recommended); Andrew Abel and Ben Bernanke (all book is recommended); Alan Auerbach and Laurence Kotlikoff (all book is recommended).

COURSE OUTLINE
(Tentative)

o. Introduction

- i.** The Economics of Robinson Crusoe: *Barro (1997), Ch. 2; Blanchard (1997), Ch 3; Thaler (1992), Ch. 6; Dornbusch, Fischer and Startz (1998), Ch. 9; Frank and Cook (1995)*
- ii.** Intertemporal Substitution, Life Cycle, and Permanent Income: *Barro (1997), Ch. 3; Thaler (1992), Chs. 8 and 9; Dornbusch, Fischer and Startz (1998), Ch. 13*
- iii.** Money Demand: *Barro (1997), Ch. 4*
- iv.** General Equilibrium I: *Barro (1997), Ch. 5*
- v.** Inflation, Interest Rates and Expectations: *Barro (1997), Ch. 7, Blanchard (1997), Ch. 7*
- vi.** General Equilibrium II and the Liquidity View: *Barro (1997), Ch. 8; Barro (1996), Ch. 2; Blanchard (1997), Ch. 21; Dornbusch, Fischer and Startz (1998), Ch. 19*
- vii.** Investment and Economic Growth: *Barro (1997), Ch. 9; Becker and Becker (1997), Part 4, Dornbusch, Fischer and Startz (1998), Ch. 11, Barro (1997), Ch. 11; Barro (1996), Ch. 1*
- viii.** Fiscal Policy and Government Behavior: *Barro (1996), Ch. 3; Dornbusch, Fischer and Startz (1998), Ch. 20*
 - (a) Government Spending: *Barro (1997), Ch. 12; Becker and Becker (1997), Part 10, pages 203-222*
 - (b) Distortionary Taxes: *Barro (1997), Ch. 13; Becker and Becker (1997), Part 10, pages 223-233*
 - (c) Government Debt and Deficits: *Barro (1997), Ch. 14*