

EC 132-02 PRINCIPLES OF MACROECONOMICS

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COURSE DESCRIPTION

The aim of the course is to provide a general overview of main macroeconomics issues in the framework of both new-keynesian and new-classical theories. The analysis focuses on the determinants of long run economic growth, unemployment and inflation; and on the effects of government policies. Additional topics include principles of public sector economics and of international trade.

COURSE STRUCTURE

The course is structured in ten lectures. There is a midterm examination on Thursday 7/16 and a final examination on Thursday 8/6. The midterm will contain all the material covered in the first five lectures, the final will contain all the material covered during the course (all ten lectures). Problem sets will be distributed every Tuesday and are due the following Tuesday. The problem sets, midterm and final grades count as 10%, 40% and 50% of the total grade, respectively. The textbook is R.Tresch Principles of Macroeconomics West (1994), chapters indicated below.

LECTURES STRUCTURE (Tentative)

LECTURE 1 Introduction to Economics. Basic principles and concepts. The laws of supply and demand. Macroeconomic goals: price stability and stable foreign relationships.

(Tresch chapters 5 , 7 and chapters 1, 2 , 4 (skim))

LECTURE 2 The production possibility frontier. Economic conditions in countries across the world. Macroeconomic goals: full employment and long run growth. The determinants of growth. Obstacles to growth in less developed countries.

(Tresch chapters 3 (pages 42-57 only), 6, 22)

LECTURE 3 National income and product accounts. The savings ñ investment identity. Introduction to macroeconomics theories. The new-classical and the new-keynesian perspectives; short-run vs. long-run.

(Tresch chapters 8 and 9)

LECTURE 4 The new keynesian model: the determinants of aggregate demand, the equilibrium level of national income, the spending multiplier, fiscal policies.

(Tresch chapters 10 and 11)

LECTURE 5 The new keynesian model: automatic stabilizers, budget deficits and the burden of the debt, the multiplier-accelerator model. The new classical model: real business cycles.

(Tresch chapters 12 and 13)

LECTURE 6 Principles of Money and Banking. The FED banking system. The money multiplier. Monetary policy.

(Tresch chapters 14 , 15 and 16)

LECTURE 7 Monetary and fiscal policy: joint analysis. The Phillips curve. Introduction to the AS-AD model.  
(Tresch chapters 17 and 18)

LECTURE 8. The AS-AD model. New-keynesians vs. new classical. Areas of disagreement: aggregate supply in the short run: . Areas of agreements: the nature of inflation, the economy in the long run, the need for credible policies.  
(Tresch chapters 18 and 19)

LECTURE 9 The role of the government in the economy. Market failures and the rationale for government intervention. The structure of the U.S. government: expenditures and revenues. Applying the economic principles to political behaviour: the theory of public choice.  
(Tresch chapters 23 and 24)

LECTURE 10 Explaining the pattern of international trade: three models. Impediments to free trade: tariffs and quota. International finance: the balance of payments and exchange rate regimes. Fiscal and monetary policies under different exchange rate regimes  
(Tresch chapters 20 and 21)