

# Syllabus

## Macroeconomics - 1

**National Research University – Higher School of Economics**  
**Department of Economics**  
**Joint HSE-NES Undergraduate Program**  
**(September 1 – December 27, 2015)**

**Lecturer:** Eren Arbatli, [earbatli@gmail.com](mailto:earbatli@gmail.com), HSE, Shabolovka campus, room 3116 A, +7(495)772-9590 – internal number 26174

**Lectures:** TBA

**Office Hours:** TBA  
(by appointment via e-mail)

### **1. Course Description and Objectives:**

This semester is the first part of the mandatory program on macroeconomics. It is dedicated to classical macroeconomic theory, which describes the economy in the long-run. The economy in the short run (business cycle theory) will be the focus of the second semester of the Macroeconomics sequence. The course assumes a basic knowledge of microeconomics, such as the theory of the consumer, producer theory, and the foundations of mathematical analysis.

The course is divided into two main parts: In the first part, we will master the basic concepts of macroeconomics, and then study the determination of national income, the workings of the monetary system, causes and consequences of inflation and the reasons behind unemployment. We will conclude the first part of our course by studying the international flows of capital and goods and how exchange rates are determined. The second part of the course will be largely devoted to understanding the process of long-run economic growth, which determines the trend over time in income per capita around which short-run fluctuations occur.

In order to understand the theory behind optimizing agents/households in the models of economic growth and better appreciate how investment decisions by firms are made, during our study of the growth process, we will briefly review also the theories behind consumer behavior and investment.

At the end of the semester, the student will have acquired a fundamental knowledge of all the major themes of modern macroeconomic equilibrium theory in the long-run.

### **2. Textbooks:**

**Required reading:** The main text for the course is Macroeconomics, 8th edition by N.

Gregory Mankiw (M). Each student should have a copy of this textbook.

**Additional reading:** Some lectures and readings will be based on an alternative textbook called *Macroeconomics (6th ed.)* by Olivier Blanchard and David R. Johnson. Our study of economic growth in the second part of the course will heavily draw on the material in *The Economics of Growth* by Philippe Aghion and Peter Howitt (AH). (AH) is not a required reading and copies of relevant readings from that book will be distributed to students, if necessary.

### 3.Course Methodology and Content Outline:

The course methodology draws on lectures and interactive discussions.

Below is the outline of the course content and how the lectures will approximately be distributed over these items (M: Mankiw, AH: Aghion and Howitt):

1. Introduction : What does macroeconomics study? Why and how? (M, Ch. 1): **1 lecture**
2. Data of Macroeconomics (M, Ch. 2): **2 lectures**
  - 2.1. The value of Economic Activity (M)
  - 2.2. Cost of living (M)
  - 2.3. Unemployment (M)
3. Classical Theory: The Economy in the Long Run (M): **9 lectures**
  - 3.1. Classical vs. Keynesian Approach to Macroeconomics (AB)
  - 3.2. Determination of National Income: Sources and Uses (M, Ch. 3)
  - 3.3. The Monetary system (M, Ch. 4)
  - 3.4. Causes and Effects of Inflation (M, Ch. 5)
  - 3.5. The Determinants and Patterns of Unemployment (M, Ch.7)
  - 3.6. The Open Economy (M, Ch. 6)
4. Growth Theory: The Economy in the Very Long Run: **19 lectures**
  - 4.1. The Neoclassical Growth Theory
    - 4.1.1. Solow Model without technological progress (AH, Ch.1) : 2 lectures
    - 4.1.2. Exogenous technological progress in the Solow Model (AH, Ch.1) : 1 lecture
  - 4.2. Understanding Consumer Behavior (M, Ch. 16): 3 lectures
    - 4.2.1. Keynes and the Consumption Function
    - 4.2.2. Irving Fisher and Intertemporal Choice
    - 4.2.3. Modigliani and the Life-Cycle Hypothesis
    - 4.2.4. Milton Friedman and the Permanent Income Hypothesis
    - 4.2.5. Hall's Random-Walk Hypothesis
    - 4.2.6. David Laibson and the Pull of Instant Gratification
  - 4.3. The Theory of Investment (M, Ch. 17): 2 lectures
    - 4.3.1. Business fixed investment
    - 4.3.2. Residential investment
    - 4.3.3. Inventory investment
  - 4.4. The Cass-Coopmans-Ramsey Model (AH, Ch.1): 2 lectures
  - 4.5. Observations on convergence (M, Ch.9): 1 lecture

- 4.6. Growth with Overlapping Generations (A): 3 lectures
- 4.7. Endogenous Growth Theory (AH)
  - 4.7.1. The AK Model (AH, Ch.2): 1 lecture
  - 4.7.2. Innovation-based growth models: 3 lectures
    - 4.7.2.1. Product Variety Model (AH, Ch.3)
    - 4.7.2.2. The Schumpeterian model (AH, Ch.4)
  - 4.7.3. Capital, Innovation and Growth Accounting (AH, Ch.5): 1 lecture
- 4.8. Policies to Promote Growth
  - 4.8.1. Changing saving rates (M, Ch.9)
  - 4.8.2. Allocating Economy's investments (M, Ch.9)
  - 4.8.3. Fostering competition (AH, Ch. 12)
  - 4.8.4. Finance and Growth (AH, Ch. 6)
  - 4.8.5. Establishing growth-promoting institutions (M, Ch.9)
- 5. Conclusion: What have we learned and what lies ahead?: 1 lecture

## **4.Evaluation System:**

### **a) Written Controls:**

There will be three written controls: two midterm controls (MT1 and MT2) and one final control (F). Each of these controls will be evaluated on a scale of 100 points. There are no make-up for written controls. You are only allowed to miss one of the two midterm controls and only due to a valid and officially documented medical excuse. In that case, the student must submit the original copy of an official medical report, which must be dated no later than the next day following the test day, to the program coordinator Margarita Malikova. When a student misses a midterm control, her grade will be based on the other midterm control (which will be assigned the combined weight of the two midterm controls, i.e., 50%). If you miss the final control (with a valid medical excuse), you will have one more chance to take it within a week.

### **b) Assignments:**

In addition there will be several home assignments (HAs). These assignments may contain a mixture of exercises to test your understanding of the macroeconomic concepts, problem solving skills, as well as your ability to think analytically and apply the theory to real life scenarios. These exercises can take various forms like multiple choice questions, written response to readings, hands-on data investigation and numerical problems. Home assignments will be graded on a scale of 10 points, and there is no make-up option for students who missed the submission deadline or failed to submit an assignment. Assignments are to be submitted electronically on my.nes.ru. Late homeworks will not be accepted.

### **c) Class Attendance and Participation:**

Attendance and class participation are integral parts of the course. Your attendance to each lecture will be recorded. Students who miss classes on a regular basis can be

expelled for violating the bylaws. Students must warn both the instructor and the program office about any excuses for missing a class or control in advance. They should also present a medical report to the program office in case of illness. Your active class participation will affect my informal evaluation of your performance, and will be a decisive factor when your grade lies on the borderline between two levels. Missing too many classes, plagiarizing assignments, or copying another student's work and cheating during controls violate the bylaws and are subject to penalty.

**d) Computation of final course grade:**

Your “unadjusted course grade” on 100-points scale will be computed as:

Unadjusted course grade = (Avg. HAs)\*0.15 + (MT1 + MT2)\*0.20 + (F)\*0.35 + (Seminar Grade)\*0.10 where (Avg. HAs) is your average score (converted to 100-point scale) across all home assignments. Students need to submit at least half of the home assignments in order to pass the course. There are no other blocking restrictions. When computing your “final course grade” on a scale of 10-points, your “unadjusted course grade” may be adjusted upwards or downwards based on my informal evaluation of student performance based on class attendance and active class participation.

**e) Make-up policy for a failing course grade:**

If a student receives a failing grade for the course, he or she gets the opportunity to take a comprehensive make-up final test on the entire material covered in the course. There is only one such make-up opportunity and the make-up test is graded by a committee consisting of three or more members, including the course instructor. Students who take the make-up cannot improve their course grade beyond 4/10. In order to pass the course (with a course grade of 4/10), a student should score 60/100 or above in the make-up final test.

**5. Class logistics and resources:**

Course announcements: We will be posting class related announcements to the e-mail group for the course: [hse\\_nes\\_macro@nes.ru](mailto:hse_nes_macro@nes.ru) . So, please make sure that you are subscribed to this list and be sure to check your e-mails regularly.

**Course web:** We will use my.nes system to (i) upload class material like home assignments, readings and solutions and (ii) enter your control test and home assignment grades.

**E-mail policy:** For all your e-mail inquiries regarding home assignments, sections, class material etc. and for your e-mail questions about course logistics and the class material, you should ONLY contact the course TA (please DO NOT cc your message to me). The TA will be forwarding your message to me only if she is not sure how to address it, and only then will I respond to your inquiry.

**Resources:** Worth Publishers has a web site that accompanies the textbook (<http://bcs.worthpublishers.com/mankiw8>) where you will find some useful materials. I encourage you to follow current macroeconomic developments in Russia and in the rest of the world. For that I recommend the Economist, Wall Street Journal and Financial Times as prominent sources. Lots of up-to-date macroeconomic indicators are available from the Dismal Scientist website at <http://www.economy.com/dismal/> . In addition to these resources, I will be providing web links to various sources related to each chapter in Mankiw's textbook and elsewhere.