

# The International College of Economics and Finance

## Syllabus for Macroeconomics - 1

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### Course description

Macroeconomics-1 is a one-semester course and it is taught for the second year students in Spring semester. The course focuses on the core macroeconomic models and policy analysis in the short-run and in the long-run.

The course is taught in English. The students are also studying for Russian degree in Economics, and knowing Russian terminology through reading in Russian is also required.

### Course prerequisites

Students are supposed to be competent in basic economic analysis up to the level of the Macroeconomics APT.

The course itself provides a basis (and so serves as a prerequisite) for Macroeconomics – 2.

### Course objectives

The purpose of the course is to develop the economic way of thinking and make them ready to use logic and methods of economic analysis in their further studies. Specifically the course aims at:

- giving students a solid grasp of macroeconomic analysis at the intermediate-level using both graphical and algebraic techniques;
- ensuring students can apply macroeconomic analysis to the study of contemporary and historical economic problems;
- broadening the students' knowledge in the field of macroeconomics,
- developing the students' abilities to write essays and understand and critically discuss economic literature.

### Forms of control and grade determination

Control takes the following forms:

- ⇒ home assignments;
- ⇒ group assignment;
- ⇒ quizzes;
- ⇒ mid-term test in Module 3;
- ⇒ final exam by the end of the Spring semester.

Course grade is determined by

- ⇒ Final exam grade (40%) [University of London exam grade for the students studying the course for both Internal and International degrees; Internal exam grade for the students studying the course for Internal degree only]
- ⇒ Mid-term test (40%)
- ⇒ Average mark for home assignments and quizzes (13%).
- ⇒ Group assignment (7%).

Course mark is rounded arithmetically to hundredths, other grades are not rounded.

Since the weight of the midterm test exceeds 30% those students who are unable to attend the test due to illness will have an opportunity to write a makeup test (if the legal medical document is provided).

A passing final grade can be assigned only provided that the student attempted the corresponding interim assessment (midterm test), even when the final grade on the 100-point scale, before the interim assessment, is sufficient to obtain a passing grade on the 10-point scale.

## Literature

### Main Texts

Begg, D., G. Vernasca, S. Fischer and R. Dornbusch *Economics*. (London: McGraw Hill, 2014) 11th edition [BVFD].

Introduction to economics EC1002, Subject Guide. O. Birchall assisted by D. Verry. University of London, 2018. (available online via VLE system <http://my.londoninternational.ac.uk>) [SG]

### Supplementary Reading

#### Textbooks

Lipsey, R.G. and K.A. Chrystal *Economics*. (Oxford: Oxford University Press, 2015) 13th edition [L&C.]

#### More advanced text

Blanchard O., Giavazzi F., Amighini A. *Macroeconomics: A European Perspective*. Financial Times Press, 2010.

Mankiw, N.G., *Macroeconomics*, 7ed. Worth Publishers. 2010.

<http://bcs.worthpublishers.com/mankiw7/>

Mankiw G., A Quick Refresher Course in Macroeconomics, *Journal of Economic Literature*, 1990, 28, 1645-1660.

### Internet resources

VLE (Online Library of the University of London) <https://emfss.elearning.london.ac.uk/>

Current course materials are posed at the ICEF information system <http://icef-info.hse.ru>

Key macroeconomic indicators <http://www.economagic.com/>

Russian Federation statistic agency <http://www.gks.ru/>

Central Bank of Russian Federation statistic agency <http://cbr.ru/>

Key macroindicators for different economies:

- <https://stats.oecd.org/>
- <http://data.worldbank.org/>
- [www.imf.org/external/datamapper](http://www.imf.org/external/datamapper)
- <http://www.worldeconomics.com/>

## **Course outline**

### **1. Introduction to Macroeconomics [covered in year 1]**

The problem of aggregation, the circular flow of income, leakages and injections, national income accounting, real and nominal gross domestic product (GDP).

BVFD Ch.15

SG Block 13

### **2. Output and aggregate demand: Keynesian cross model [covered in year 1]**

Actual and potential output, consumption, investment, income determination, equilibrium, the multiplier, the paradox of thrift, consumption and taxation, the government budget, automatic stabilisers (the financing of government), the multiplier and taxation, the role of fiscal policy, imports and exports, the multiplier in an open economy.

BVFD Chs.16-17

SG Block 14

### **3. Money and banking [covered in year 1]**

The role of money, real balances, the liquidity preference approach and the demand for money (liquid assets), commercial banks and the supply of money (banks and the various multipliers), central banks and monetary control, equilibrium in the money market.

BVFD Chs.18-19

SG Block 15

### **4. Monetary and fiscal policy in the short-run**

Goods market equilibrium and IS curve, equilibrium in the money market and LM curve, the IS-LM model, monetary and fiscal policies in a closed economy.

BVFD Ch.20

SG Block 16

### **5. Aggregate demand and aggregate supply**

Keynesian and classical assumptions regarding wages and prices, aggregate supply in the long-run and the short-run, the effects of exogenous demand and supply shocks.

BVFD Ch.21

SG Block 17

### **6. Inflation**

Inflation targeting, the Taylor rule, the quantity theory of money, the Phillips curve in the long-run and the short-run, stagflation and the role of expectations, costs of inflation

BVFD Ch.22

SG Block 18

## 7. Unemployment

Types of unemployment, voluntary and involuntary unemployment, causes of unemployment, private and social costs, hysteresis.

BVFD Ch.23

SG Block 19

## 8. Open economy macroeconomics

The foreign currency market, exchange rate regimes, the balance of payments, capital mobility, the rate of interest and the price of foreign currency.

The effects of fiscal and monetary policies under fixed and floating exchange rates with and without capital mobility

BVFD Chs.24-25

SG Blocks 20-21

## 9. Supply-side economics and economic growth

Growth in potential output, the steady state, technological progress, capital accumulation, convergence, endogenous growth, policies to promote growth

BVFD Ch.26

SG Block 23

### Preliminary distribution of hours of the course by topics and types of work

№	Topic	Total	Lectures	Classes	Selfstudy
1.	Introduction to Macroeconomics				4
2.	Output and aggregate demand: Keynesian cross model		4	3	10
3.	Money and banking		4	4	10
4.	Monetary and fiscal policy in the short-run		6	5	12
5.	Aggregate demand and aggregate supply		6	4	12
6.	Inflation		6	4	8
7.	Unemployment		6	2	8
8.	Open economy macroeconomics		6	4	12
9.	Supply-side economics and economic growth		6	4	8
	<b>Total:</b>		<b>44</b>	<b>30</b>	<b>84</b>