

Economics 110D

Intermediate Economics III

Instructor: Sarah Zubairy

Summer Session I, 2008

Course Description:

This course introduces students to dynamic macroeconomic theory and policy. The four broad subjects covered in the course will be economic growth, business cycles, monetary and fiscal policy, and international macroeconomics. In order to understand the economy at a macroeconomic level, a macroeconomic model founded on microeconomic principles is developed. The course begins with a closed economy model that describes private behavior and excludes any role for the government. The model is then extended to help explain the effects and desirability of government policies, both fiscal and monetary. Further extensions of the model are used to discuss issues such as trade deficits, the behavior of the current account, as well as real and nominal exchange rates.

Administrative Information:

Lectures: Class will meet every day of the week, 9:30-10:45 am, in Social Sciences 111.

Discussion Section: Wednesdays, 6-8 pm, in Social Sciences 111.

Course Web Page: All class materials and announcements will be posted on Blackboard or e-mailed. It is your responsibility to keep track of them.

Office Hours: By appointment. E-mail: sarah.zubairy@duke.edu

Required Textbook: Barro, Robert J. *Macroeconomics*, 5th ed. Cambridge, MA: MIT Press, 1997.

Prerequisites: Econ 51D, Econ 55D, Econ 105D, Math 31/32L (or Math 25L & Math 26L), and successful completion of EcoTeach Math test; Econ 105D may be taken as a co-requisite.

Final Grades: The final grade will be based on homework assignments (15%), in-class quizzes (15%), a midterm exam (30%), and a cumulative final exam (40%). No late problem sets will be accepted and no makeup exam will be given. There will be a total of five homework assignments, due 05/19, 05/27, 06/02, 06/16 and 06/23. There will be a total of four 15-20 minute long in-class quizzes, on 05/23, 05/30, 06/13 and 06/19.

No Class: Monday, May 26 and Friday, June 20.

Midterm Exam: Friday, June 6 (in-class).

Final Exam: Thursday, June 26, 9am-noon.

Outline of material to be covered in class:

1. Introduction to Macroeconomics, US Economic Data

Preliminaries, National Income and Product Accounting
Barro, Chapter 1.

2. Business Cycle Theory

Consumption and labor supply choice of households in a static model, Firm's optimization decision, Competitive markets and equilibrium, Credit markets and intertemporal optimization.
Barro, Chapters 2, 6, 3, 5, 9

3. Economic Growth

Growth facts, Solow growth model, Endogenous growth model
Barro, Chapter 11

4. Monetary Policy

Quantity theory of money, Cagan model of money demand, Hyperinflationary historical episodes
Barro, Chapter 4 and other materials

5. Fiscal Policy and Ricardian Equivalence

Government budget constraint, Taxes and transfers, Public debt
Barro, Chapters 12, 13, 14

6. International Economics

Capital and current account, Terms of trade, Different exchange rates regimes
Barro, Chapters 15, 16