

## **BSP 2001: Macro and International Economics 2016-2017, Semester 1**

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### **Class Meetings:**

Mondays 12:00-14:00 or 16:00-18:00

### **Office Hours:**

Fridays 14:00-15:00 or by appointment

### **Course Materials:**

- (1) Textbook: Dornbusch, Fischer and Startz (2014), *Macroeconomics*, 12<sup>th</sup> Edition, McGraw-Hill.
- (2) Optional Readings: Students are also encouraged to read articles in *The Economist*.

### **Course Objective:**

This course provides students with an introduction to macroeconomics and international economics. It aims to develop the basic analytical tools to understand the behavior of the economy, both in the short run and in the long run. We will focus on the economic growth, the aggregate behavior of consumers and producers, the dynamics of prices and unemployment, the effectiveness of fiscal and monetary policies, and exchange rates. We will also apply the analytical framework to real-world events.

### **Prerequisite:**

Algebra and introduction to microeconomics (BSP 1005 or equivalent)

### **Course Grade:**

- (1) Tutorial assignments and presentations (25%)
- (2) Midterm exam (25%)
- (3) Final exam (50%)

Note: Problem sets have to be handed in on the due date. Late homework will be penalized. Tutorial attendance is compulsory. A student missing more than three tutorial sessions can be barred from Final Examination and given a fail grade. No make-up exam will be given.

### **Course Outline:**

#### **Part I: Introduction**

1. Introduction to Macroeconomics (Chapter 1)
2. National Income Account (Chapter 2)

#### **Part II: Long Run: Economic Growth**

3. Growth Accounting (Chapter 3)
4. Growth Theory: The Neoclassical Model (Chapter 3)
5. Growth Theory: Endogenous Growth Model (Chapter 4)

*Textbook Exclusions:*

*Chapter 3: Section 3-5 Labor-Augmenting Technical Progress*

*Chapter 4: Figure 4-2 & 4-3 Growth Traps and Two-Sector Models; Poverty Trap*

**Part III: Medium Run: The AS-AD Model**

6. Aggregate Supply and Aggregate Demand (Chapter 5)

7. The Phillips Curve (Chapter 6)

8. Inflation and Unemployment (Chapter 7 & 8)

*Textbook Exclusions:*

*Chapter 6: Appendix Mathematical Derivation of the Dynamic AS curve*

**Part IV: Short Run: IS-LM Model**

9. Keynesian Income Model and IS curve (Chapter 10 & 11)

10. Money Market and LM curve (Chapter 11, 16 & 17)

11. Monetary and Fiscal Policy (Chapter 12)

*Textbook Exclusions:*

*Chapter 10: Section 10-6 Full-employment Budget Surplus*

*Chapter 16: Appendix Baumol-Tobin Transactions Demand Model*

*Chapter 17: Section 17-4 & 17-5 & 17-6 & 17-7 Money Stock, Credit, Interest rate Targeting*

**Part V: International Economics**

12. Exchange Rates (chapter 13)

13. Open Economy IS-LM model (chapter 13)

Note: This course outline is tentative and subject to change.