

EC4010 Economic Theory: Macro

Policy Sheet

(Subject to change)

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Course Material: mymodule.tcd.ie – Economic Theory

Office Hours: Tuesdays, 10.30-11.30

Location: Room 3007, Arts Building

OVERALL EC4010 ECTS VALUE: 15

Objectives:

The macro module of EC4010 consists of weekly two-hour classes throughout MT excluding reading week (week 7) and weekly one-hour problem solving tutorials. Weekly problem sets will be available after lectures in addition to manuscripts. The problem solving section is designed to go over homeworks each week. These sections are designed to facilitate your development as an economic scholar and to help with your preparation for examinations since homeworks contain similar types of questions (short, long and multiple choice). The link between lectures and tutorials is while lectures introduce material, tutorials will require more of your interaction with the subject matter and with each other. Active engagement and independent learning are key to your success. Firstly, I want you to be able to wield the concepts (memorising, applying, critiquing); based on this, I want you to be able to answer questions (formulating, method and application, solving accurately); and finally, I want you to be able to answer subject to time constraints, which will be up to you to practice. Solutions to homework exercises will not be handed out so it is vital to attend tutorials. A formal approach can yield extra subtleties and mathematics lurks behind topics we will cover. However, this course is concept-oriented, rather than mathematically-oriented, so there is no discrimination towards mathematically strong students. It is important to be able to analyse macroeconomic problems and discuss economic theory arguments intuitively, i.e. to 'think like an economist'.

Assessment:

There will be a mid-term test in week 8 of MT accounting for 10% of the overall grade. The macro component of the annual exam is worth 40%. The remaining 50% is determined by the micro component of EC4010. If you are having difficulties meeting the guidelines of a course (e.g. sickness, sport scholars, etc.), contact your tutor directly. The 90 minute macro mid-term in week 8 will consist of a number of multiple choice questions and short (homework-type) questions. The three-hour summer exam will be split evenly into questions from MT and HT. For the macro component, you will be asked to answer a number of long (homework-type) questions.

Plagiarism is taken very seriously by the University. `Plagiarism is interpreted by the University as the act of presenting the work of others as one's own work, without acknowledgement. Plagiarism is considered as academically fraudulent, and an offence against University discipline. The University considers plagiarism to be a major offence, and subject to the disciplinary procedures of the University.' (University Calendar, 2013-14)

Lecture & Tutorial Rules:

- No ringing cell phones, no texting, no inappropriate computer use
- Respect the diversity of interests, experience, and background of your classmates

Contacting Me:

I stop checking email around 10:00pm. Apart from weekends, I typically respond to emails within 24 hours. It may not always be necessary to see me in office hours so feel free to send me an email if you have a problem related to the course. If you plan to see me in office hours, do drop in, but you might wish to send me an email the day before (Monday) with some idea of the question(s) you may want to raise.

Syllabus: (Macro, MT)

1. **Macro in Context:** Current Institutions & Policies, Issues, Models + History of Thought.
2. **Consumption Theory & Labour Supply:** Keynes' Consumption Function Theory versus Permanent Income Hypothesis, Euler Equation, Interest Rates & Intertemporal Choice, Precautionary Savings, Introducing Labour Supply: Income & Substitution Effects, Long-Run General Equilibrium Model. Applications include Fiscal Policy, Europe/US Hours Differential, Ricardian Equivalence and Sluggish Recovery During Great Recession in Labour Market. (Romer chapter 7 and select readings)
3. **Monetary Policy:** Money Neutrality, Quantity Theory, Fisher Equation, Taylor Rule, Short-Run & Long-Run Rates, Yield Curve, Expectations Theory, Segmented Markets Hypothesis, Liquidity Premium Theory, Monetary Transmissions Mechanisms. Applications include Financial Crisis, Asset Pricing, Monetary Policy at the Zero Lower Bound, Balance Sheet Recessions, Effectiveness of Fiscal & Monetary Policies, Twin Deficits, Global Savings Glut and QE. (Mishkin chapters 6 & 26 and select readings)
4. **New Keynesian and Real Business Cycle Models:** New Keynesian Model, Real & Nominal Rigidity, Three Equation Model (IS, NKPC, TR), Real Business Cycle Model, Ramsey model. Application: Great Depression, Uncertainty, Capital Taxation, Financial Crisis and Macroprudential Regulation. (Romer chapter 4 and select readings)
5. **Labour Search Theory:** Heterogeneity, Information Frictions, Diamond, Mortensen & Pissarides Model. Applications: Housing Market, Great Recession.