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Ec 21: Intermediate Macroeconomics

Department of Economics
Swarthmore College
Spring 2021

The goal of this course is to give the student a thorough understanding of the actual behavior of the macroeconomy and the likely effects of government stabilization policy. Models are developed of the determination of output, interest rates, prices, inflation, and other aggregate variables such as fiscal and trade surpluses and deficits. Students analyze conflicting views of business cycles, stabilization policy, and inflation/unemployment trade-offs.

Freshmen may not enroll.

Prerequisites: [ECON 001](#) and [MATH 015](#).

Textbook: Olivier Blanchard and David Johnson, “Macroeconomics”, 6th edition, Pearson, 2013.

Materials / Resources

- For each week you will get lecture notes (in the form of class slides) as a reading guide for that week’s chapter and the electronic versions of readings (other than the textbook). All these materials will be posted in the Ec21 Moodle site.
- Some weeks you will also get a data assignment to work on during recitation sessions with Prof Olivero.
- Some weeks you will also get a problem set (with its answer key). The problem sets will be discussed by the course TAs during TA-run clinics.
- Prof Olivero will be available for office hours (via Zoom) twice a week.
- There will be 1:1 tutoring available. Tutors are junior/senior students majoring in Economics.

Schedule

Lectures: Mondays, Wednesdays and Fridays 10:40am-11:30am (lectures are asynchronous and will be pre-recorded).

Recitation sessions (synchronous): Ec21 A-F on Thursdays are synchronous.

Office Hours (synchronous): Mondays and Wednesdays 1:30pm-3pm or by appointment (via Zoom).

TA-run clinics (synchronous): Times will be announced and Zoom links will be provided in Moodle.

Course Requirements

The course will be divided in 12 units/weeks. The material for each week will be posted in advance in Moodle. You will be responsible for reading the entire material and watching the pre-recorded asynchronous lectures before coming to class.

Recitation sessions with Prof Olivero will focus on hands-on working on datasets, obtaining, cleaning and processing the data, and answering questions based on the tables and figures produced.

TA-run clinics will focus on the problem sets assigned as homework.

Grading

Homework assignments (8) – 5 points each for a total of 40/100 points (40%).

Data assignments (10%)

Midterm exam (25%)

Final exam (25%)

Ec21 Zoom Community Etiquette

To promote an engaging environment in which we can all contribute and we all learn from each other, I ask that you please have your cameras on at all times. While you will be on mute when you are not speaking (to minimize background noise and disruption), I expect you to be unmuting yourself and participating all the time. You can raise your “Zoom hand” to take turns to participate.

Accommodations Statement

If you believe you need accommodations for a disability or a chronic medical condition, please contact Student Disability Services via email at studentdisabilityservices@swarthmore.edu to arrange an appointment to discuss your needs. As appropriate, the office will issue students with documented disabilities or medical conditions a formal Accommodations Letter. Since accommodations require early planning and are not retroactive, please contact Student Disability Services as soon as possible. For details about the accommodations process, [visit the Student Disability Services website](#). You are also welcome to contact me privately to discuss your academic needs. However, all disability-related accommodations must be arranged, in advance, through Student Disability Services.

Week 1: THE SHORT-RUN: Goods Markets

Blanchard and Johnson - chapter 3

- The composition of GDP
- The demand for goods
- The determination of equilibrium output
- The relationship between savings and investment

Week 2: THE SHORT-RUN: Financial Markets

Blanchard and Johnson - chapter 4

- The demand for money
- Determination of the interest rate
- Two alternative ways of looking at the equilibrium

Week 3: THE SHORT-RUN: The IS-LM Model

Blanchard and Johnson - chapter 5

- The goods markets and the IS relation
- Financial markets and the LM relation
- Putting the IS and the LM relations together
- Using a policy mix
- How does the IS-LM model fit the facts?

Week 4: THE MEDIUM-RUN: The Labor Market

Blanchard and Johnson - chapter 6

- A tour of the labor market
- Movements in unemployment
- Wage determination
- Price determination
- The natural rate of unemployment

Week 5: THE MEDIUM-RUN: The AD-AS Model

Blanchard and Johnson - chapter 7

- Aggregate supply
- Aggregate demand
- Equilibrium in the short-run and the medium-run
- The effects of a monetary expansion
- A decrease in the budget deficit
- Changes in oil prices

Week 6: THE MEDIUM-RUN: The Phillips Curve, the Natural Rate of Unemployment and Inflation

Blanchard and Johnson - chapter 8

- Inflation, expected inflation and unemployment
- The Phillips curve: basic version
- The Phillips curve: mutations
- The neutrality of money
- Disinflation, credibility and unemployment
- High inflation and the Phillips curve relation
- Deflation and the Phillips curve relation

MIDTERM EXAM

Week 7: THE LONG-RUN: The Facts of Growth / Savings, Capital Accumulation and Output

Blanchard and Johnson - chapters 10 and 11

- Measuring standards of living
- Growth in rich countries since 1950
- A broader look at growth across time and space
- Thinking about growth: A primer
- Interactions between output and capital
- Implications of alternative savings rates
- Getting a sense of magnitude
- Physical vs human capital

Week 8: THE LONG-RUN: Technological Progress and Growth

Blanchard and Johnson – chapters 12 and 13

- Technological progress and the rate of growth
- Determinants of technological progress
- Productivity, output and unemployment in the short run
- Productivity and the natural rate of unemployment
- Technological progress, churning and distribution effects
- Institutions, technological progress and growth

Week 9: The Goods Market in an Open Economy

Blanchard and Johnson – chapters 18 and 19

- Exports and imports
- The choice between domestic and foreign goods
- Nominal exchange rates
- From nominal to real exchange rates
- From bilateral to multilateral exchange rates
- The IS curve in an open economy
- Equilibrium output and the trade balance
- Depreciation, the trade balance and output
- The J-Curve
- Savings, investment and the trade balance

Week 10: Output, the Interest Rate and the Exchange Rate

Blanchard and Johnson - chapter 20

- Equilibrium in goods markets
- Equilibrium in financial markets
- Putting together goods and financial markets
- Fiscal and monetary policy in an open economy with flexible exchange rates
- Fiscal and monetary policy in an open economy with fixed exchange rates

Week 11: Back to Policy: Summing Up

Blanchard and Johnson - chapters 23 and 24

- A summing up on fiscal policy
- A summing up on monetary policy

Week 12: Current Topics

Blanchard and Johnson – chapter 9 (“The Crisis”) and additional materials from Prof. Olivero’s research.

FINAL EXAM