I. Title: BADM 7223 Macroeconomics Theory

Credits: 3

Prerequisites: None

II. Course Description

Exam of the theory and policies of macro economy in open-economies and the adjustment problems based on diverse perspectives. Comparison of macro economics policies monetary and fiscal in open-economies under different exchange rates.

III. General and Specific Objectives

1. Compare the five fundamental national income accounts of the Puerto Rico Social Accounting system, its input-output accounting system and its macroeconomics theoretical framework.

   1.1 Applied de macroeconomic theory to explain macroeconomics events and policy effects in Puerto Rico and other countries using input-output analysis, econometric and time series models.

2. Discuss the major theories of macroeconomic behavior, classical, neoclassical, Keynesian and post-Keynesian.

   2.1 Contrast dynamic macroeconomics theory, policy and modeling, as applied to open economies, according to the classical, neoclassical, Keynesian and post Keynesian approaches.

   2.2 Obtain and interpret data which measure macroeconomics behavior and performance and be capable of using the data in macroeconomic model building.

3. Evaluate the effect of the government's fiscal and monetary policies on economic agents in an open economy.

   3.1 Describe and measure how the economic agents react to the different fiscal and monetary policies in an open economy.

4. Apply economic theories and models as a method of analyzing and solving problems on macroeconomic policies.

   4.1 Explain and analyze dynamic models of macroeconomic theory and policy.
5. Derive and build macroeconomic models.

5.1 Apply the main static and dynamic theories of macroeconomic behavior using econometric methods on research papers and theses.

IV. Evaluation Process

Examination

A.

During the semester, two regular examinations will be given (mid-term and final). Both will be worth 50% and will be comprised of essay, short answer, and applied problem questions. The final will be partially comprehensive in nature.

B.

Paper

A research paper worth 25% is required for each student. The paper should cover the macroeconomic factors that influence the behavior of a specific industry of firm. Further information concerning the paper will be presented in class.

Your course grade will be a weighted average of your grades:
Exams (2)………………………….50%
Research Paper……………………..40%
Problem sets……………………….10%
Total………………………………100%

Grades

The following maximum grading scale is guaranteed:

*90 – 100% = A
*80 – 89% = B
*70 – 79% = C
*Below 69% = F .

V. Recommended Texts


Other Useful References


Obstfeld and Rogoff, Foundations of International Macroeconomics, MIT Press, 1996
VI. Course Outline

Contents

A. Introduction to Advance Macroeconomics Issues and Measurement

1. Macroeconomics Issues

Reading (many of the readings are classical articles)

Some articles from academic journals will be deposited in the university library by the instructor.


Krugman, Paul, “There's Something About Macro” (hand-out).

2. Measurement of Macroeconomics: Variables and Parameters

Reading

Mankiw, N. Gregory. 2007. Macroeconomics, chapters 2-3


Ruiz Angel L., “the Input-Output and Social Accounting System” (hand-out)


B. Macroeconomic Principles: Keynesian, New Keynesian and Post-Keynesian Macroeconomics

1. The Keynesian Revolution

a. Determination of Aggregate Demand and Supply: The IS-LM Model
b. Critiques of IS-LM Model

c. The Neo-Classical Synthesis

2. The Monetarist Counter-Revolution

3. Rational expectations and New Classical Macroeconomics

4. New Keynesian ideas

5. Approaches to macroeconomic policy

Readings (many of the readings are classical articles)


D. Romer, *Advanced Macroeconomics*, Chapter 5-8


J. Barkley Rosser, Jr., “Complex Dynamics in New Keynesian and Post Keynesian Economics”, Post Keynesian Thought Internet Seminar-6 (photocopy).


Ruiz Angel L., Lecture Notes

C. Open Economy Macroeconomics

Readings (many of the readings are classical articles)

Robert E. Hall y J. B. Taylor, Macroeconomics: Theory, Performance, and Policy, chapter 12

Mankiw, N. Gregory. 2007. Macroeconomics, chapters 5 and 12


Phillip R. Lane, “The New Open Economy Macroeconomics: A Survey”, Trinity College Paper Series, Num. 3, Ireland, UK (handout)

Obstfeld and Rogoff, Foundations of International Macroeconomics, (chapters to be assigned)

D. Macroeconomics of Technological Change and Economic Growth

Readings

Mankiw, N. Gregory. 2007. Macroeconomics, chapters 7-9


Robert E. Hall y J. B. Taylor, Macroeconomics: Theory, Performance, and Policy, , chapters 3-5

Ruiz Angel L., What is Endogenous Growth Theory? Lecture Notes

D. Romer, Advanced Macroeconomics, Chapters 1-3

Obstfeld and Rogoff, Foundations of International Macroeconomics (MIT Press, 1996), Chapter 2 (“Dynamics of Small Open Economies”)


Ruiz Angel L., Productividad Total de los Factores y Cambio Tecnológico en la Economía de Puerto Rico:1950-2003

Ruiz Angel L., “Estimación de la Función Cobb-Douglas para Puerto Rico”


E. The Business Cycle

Readings


Robert E. Hall y J. B. Taylor, Macroeconomics: Theory, Performance, and Policy, , chapter 16

VII. Bibliography


Technology, Distribution, and Employment: Segregation by Skills and Superstars
Rosen,


Raymond, Eric S. The Cathedral and the Bazaar.


Macro Complementarities/Coordination: Macroeconomic Complementarities, Amplification, Multiple Equilibria Required Reading
Cooper, R. Coordination Games: Complementarities and Macroeconomics. Chapters 1-3 and 7, Cambridge University Press, 1999.


Revised by Dr. Félix Cué
February, 2008