E200 Macroeconomics

Aims and Objectives
This module aims to provide a broad overview of macroeconomics. It covers key models that help to analyse and explain macroeconomic phenomena. Upon completion of this module, students should have

- a solid understanding of the main phenomena in macroeconomics.
- the ability to analyse macroeconomic issues using theoretical models.
- a sound understanding of the empirical relevance of macroeconomic models.

Contents
This module provides an overview of some of the main theory and evidence behind macroeconomic phenomena. In particular, it covers the following topics:

- Economic growth and business cycles: cross-country differences in income per capita and convergence (Solow model); sources of business cycle fluctuations (simple RBC model)
- Consumption and investment: permanent income hypothesis; buffer-stock saving; equity premium; q-theory
- Unemployment and rigidities: real rigidities and efficiency wages (Solow condition; Shapiro-Stiglitz model); hysteresis in unemployment; nominal rigidities (menu cost model)
- Macroeconomic policy: monetary policy, including rules versus discretion, central bank independence, conservativeness and reputation (Barro-Gordon model; Taylor rule); high inflation and seignorage (Cagan model); fiscal policy (Ricardian equivalence; Barro tax-smoothing model)
- Exchange rates: nominal exchange rates (flexible price monetary model); exchange rate volatility (Dornbusch overshooting model); cross-country differences in purchasing power and real exchange rate drift (Balassa-Samuelson effect)
Organization
The module consists of two lecture courses with a total of 18 hours of lectures:
- Macroeconomics IA (economic growth, business cycles, consumption and investment)
- Macroeconomics IB (unemployment, rigidities, monetary policy, fiscal policy and exchange rates)

Assessment
The examination for this module will be by a 2-hour written exam.

Readings
The main textbook used for this module is


Detailed reading lists will be provided in the lecture course outlines, which will be available on the Faculty web site.