School: Tiomkin School of Economics B.A

Macroeconomics I

Lecturer:
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Tutors:
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Teaching Assistant:
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Course No.: 3057  Course Type: Lecture  Weekly Hours: 4  Credit: 4

Course Requirements: Final Exam  Group Code: 221305704  Language: English

Prerequisites

Prerequisite:
9007 - Mathematics I for Economics
9008 - Mathematics II for Economics
9009 - Statistics I for Economics
9010 - Statistics II for Economics
9017 - Principles of Macro Economics OR 9684 - Principles of Macro Economics
9115 - Principles of Micro Economics OR 9682 - Principles of Micro Economics
Course Description

This course is about the basic components of a macroeconomic model. We will discuss issues related to consumption, investment, labor markets, and production, and use these models to present and discuss some of the basic question in macro. The first few weeks will be dedicated to learning the basic modeling tools. We will then apply these tools to issues of economic growth, fluctuations, and fiscal policy.

The approach in this course is to build the foundations from microeconomic principles. As such, our “building blocks” rely on firms and household optimization, government spending and taxation, and the interaction between them. We will analyze the labor market and the market for goods separately, and then look at a general equilibrium. Towards the end of the term, and if time permits, we will discuss productivity – a key determinant of long term growth.

As we progress, we will take various “detours” and consider extensions of these basic building blocks in order to present and discuss some modern research in macro. The COVID-19 crisis has some natural implications with regards various topics in this course, hence we will include short discussions these implications as well, where applicable.

This course requires analytical thinking and calculus. Therefore, we will occasionally refresh your knowledge of derivatives, optimization, log rules, etc.

Course Goals

There are a few goals for this course. First is to introduce important (and sometimes still open) issues in macroeconomics. A second goal involves learning the basic principles of theories that are heavily used in macroeconomic research. This leads to a third goal, which is to study how economic models work -- from assumptions (in words) to models (in equations) to conclusions and sometimes policy. Finally, besides theory, we will dedicate some effort to look at relevant data and suggest difference ways to interpret the data. When possible, problem sets will include questions that require searching and presenting data.

Grading

Final Exam – 100%

The exam will be structured as follows:

6 short questions, 6 points each.
Two long questions, 32 points each
In the event that the exam takes place in class, a formula sheet will be provided with the exam. No other material and/or self prepared formula sheet is allowed.

In the event that the exam takes place online due to a formal IDC decision, the format will be identical, but the exam will be an open book exam.

**Problem Sets – a bonus of up to 5 points. You will receive 5 or 6 problem sets throughout the term, and will get 1 bonus point for each submission (up to a maximum of 5 points).**

Problem sets will not be given every week and will be assigned based on subjects (I assume there will be five or six in total, but that will depend on our progress). Problem sets may be long; the typical structure will be: (i) 2-4 questions that you have to submit, including at least one data assignment; (ii) 1-2 questions that you don’t have to submit, and will be discussed in detail in TA session after submission; (iii) (sometimes) extra questions/examples with full solutions for practice.

Problem sets will be due Sunday night, and typically the two following TA sessions will be dedicated to going over the problem set questions and/or close examples. A full solution will be posted on Moodle.

You are strongly encouraged to work in groups on problem sets, but each of you has to assign an individual problem set.

**Attendance:** In the event that the IDC issues an instruction for general bonus points for attendance, they will be added according to such instructions.

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**Lecturer Office Hours**

Sundays 14:00 – 15:00 on Zoom.

A permanent link to office hours will be posted on Moodle.

If you have questions outside office hours or class, please email me at yanivyf1@gmail.com or yanivyedid-levi@post.idc.ac.il

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**Teaching Assistant**

Arad Simon is the TA for this class. (email address: arad.simon@post.idc.ac.il)

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**Reading List**

There is no official or required textbook for this course. Therefore the information below is for those of you who seek further reference.

An important note about the book: the book should be used as reference, not as the main source of studying. Some parts of the material will be close to the description in the
book. Note that in class we will introduce and discuss issues that are not explicitly covered in the book. We may also use different notation. Moreover, at certain points we’ll spend some time discussing extensions of baseline theories and introduce more recent research. Therefore, the priority should be attending class, understanding the (fairly detailed) lecture slides, and putting a serious effort in doing the problem sets.

In addition, papers and other readings may be assigned occasionally.


This is a free online book that includes a wide range of topics that can be covered in a course on macroeconomics. You can download a PDF version of the book using this link https://www3.nd.edu/~esims1/gls_textbook.html

Outline:

Here is the list of subjects we will cover, with the relevant chapter(s) in the book, when applicable. We may make changes to the order as we progress through the term and following your interests.

<table>
<thead>
<tr>
<th>Subject</th>
<th>GLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Introduction and review of macro data</td>
<td>1-3</td>
</tr>
<tr>
<td>2 Consumption and Saving</td>
<td>9-10</td>
</tr>
<tr>
<td>3 Production and the demand for factors</td>
<td>12.1</td>
</tr>
<tr>
<td>4 Investment</td>
<td>12.1</td>
</tr>
<tr>
<td>5 Equilibrium in the goods market</td>
<td>12.4</td>
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<tr>
<td>6 Labor supply and the neoclassical labor market equilibrium</td>
<td>12.2</td>
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<tr>
<td>7 Extensions: unemployment and current labor market issues</td>
<td>17.1, 17.2, 17.3, 17.4, Lecture slides</td>
</tr>
<tr>
<td>8 Fiscal Policy</td>
<td>9.4, 3, 13</td>
</tr>
<tr>
<td>9 General Equilibrium</td>
<td>18</td>
</tr>
<tr>
<td>10 Productivity (if time permits)</td>
<td>7.3, Lecture slides</td>
</tr>
</tbody>
</table>
There are other textbooks in macroeconomics that can be used as reference. I list the books here without detailed chapters.

Two other books provide a slightly less technical and more graphical and intuitive explanation of the material. Both books are very well written and very clear. By now they have multiple editions, and some copies should be available in the library (there is no particular need to look for the latest edition):

“Macroeconomics” by Abel, Bernanke, and Croushore

And

“Macroeconomics” by Jones