

Political Economy I.: Basics in macroeconomics
(2 credits)

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Classes: **Office Hours:**

Course description and objective:

The course is an introduction to the most fundamental terms and concepts of macroeconomics, the discipline that studies the aggregate economy, its long-run development and short-term oscillations. While not hiding the disagreements and controversies between old and new classical and Keynesian explanations, the course tries to discuss the two schools in a common analytical framework.

Learning outcomes:

The course is designed to provide Political Science students with a solid basis of understanding macroeconomic phenomena and trends that shape political processes so decisively. Knowledge of at least basic macroeconomics is a precondition for understanding political economy in general and the link between politics and economics in particular. Having accomplished this course, students will understand the basic macroeconomic variables and their interactions.

Although some themes will be presented by using formulas and graphs, formal treatment and analysis of the concepts will not be asked.

Reading:

Olivier Blanchard, Alessia Amighini, and Francesco Giavazzi: Macroeconomics: a European perspective
Harlow, Prentice Hall, 2010..

(in the reader you find complete chapters. However, some section will be omitted!)

Teaching format:

Each topic is discussed in class in an interactive lecture format. Each class starts with a short seminar discussion on the topic of the previous class and the assigned reading and is followed by the presentation of the new topic.

Requirements:

- Students are required to attend classes regularly and to participate actively in course discussions.
- Students are expected to send short written comments and questions about the literature. These messages will serve as basis for the discussions in the beginning of the classes, and are to be submitted via e-mail by 6 pm be preceding the day of the seminar.
- Students will write a brief quiz test on the 7th class
- Students will write a final in-class exam on the 12th class.

Assessment:

In-class participation	10 %
Written questions and comments:	15 %
Mid-term quiz	20 %
Final test	45 %

Curriculum

Reading

Class 1: Introduction, Macroeconomic Accounts

Chapter 1 & 2

Gary S. Becker: The Economic Approach to Human Behavior Part 1. Introduction

Class 2: The Goods Market

Chapter 3

Class 3: Financial Markets

Chapter 4

Class 4: Goods and Financial Markets: The *IS–LM* Model

Chapter 5

Class 5: The Open Economy

Chapter 6

Class 6: The Labour Market

Chapter 7

Class 7: Putting All Markets Together: The *AS–AD* Model

Chapter 8

Class 8: The Natural Rate of Unemployment and the Phillips Curve

Chapter 9

Class 9: Inflation, Activity, and Nominal Money Growth

Chapter 10

Class 10: The factors of growth

Chapter 11 & 12

Class 11: Macroeconomic policy

Chapter 18

Class 12: Final test