Study Guide
Economics 1100
Basic Macroeconomics

Department of Economics
Fordham University
Lincoln Centre

Professor René van Eyden
PhD (University of Pretoria)

Last Revision: May 2019

© Copyright reserved
1. **INTRODUCTION**

This study guide is designed for students who take the undergraduate basic macroeconomics course in the Department of Economics at Fordham University at the Lincoln Campus. Please read through all sections of this document carefully. Details of the work to be covered are shown in the course outline section. Students who wish to continue with postgraduate studies in the Department should note that they also need to complete the intermediate macroeconomics courses presented at the second year level.

The content of the Econ 1100 course covers a broad range of macroeconomic topics, focusing on the labor market and money market, but also studying highlights from our economic history, from as far back as the Industrial revolution, through the Great Depression and including the more recent Global Financial Crisis. We conclude with a number of capstone topics, thinking about the role of institutions and policies in a globalized world, and the challenges of addressing inequality and improving living standards.

**LECTURE TIMES AND VENUES**

**Econ 1100 lectures during the first Summer semester are as follows:**

- **Prof. Reneé Van Eyden (Lincoln Centre)**  
  Tuesday   6:00 – 9:00 pm.  
  Wednesday 6:00 – 9:00 pm.  
  Thursday  6:00 – 9:00 pm.

Please refer to your timetable booklet for more information concerning recess dates and lecture days on which other timetables will be followed. Announcements regarding the schedule of homework will be made in class.

Contact Professor Van Eyden on renee.vaneyden@up.ac.za.

2. **CLASS PARTICIPATION**

Attending lectures and participating in class is compulsory. Dialogue is not only strongly encouraged; it is critical to your understanding of the material. Remember, there is no such thing as a stupid question! Vocalizing your questions often helps you to gain clarity on what you do and do not understand. It also provides your lecturer with important feedback on areas that we need to spend more time on. In order to make the most of your time during lectures, we ask that you quickly scan through the material to be covered that day and prepare as best you can for class; this encourages active listening and creates a more productive learning environment.
3. **ASSESSMENT STRUCTURE**

The final mark for Econ 1100 will be composed as follows:

- Midterm exam: 20%
- Class tests and assignments: 20%
- Class participation: 10%
- Final examination: 50%

4. **PRESCRIBED MATERIAL**

The following textbook is prescribed for Econ 1100 (Lincoln only):

- **The Economy: Economics for a Changing World** (this textbook is freely available in e-book format at [www.core-econ.org](http://www.core-econ.org))

We encourage you to read outside of the prescribed textbook. The Economist ([www.economist.com](http://www.economist.com)) has interesting and relevant articles in both micro- and macroeconomics: you can read a few articles per week on their website without subscribing.

5. **COURSE OUTLINE**

A one-semester introduction to macroeconomics based on the CORE\(^1\) text has been taught as the standard introduction to economics at University College London, Sciences Po (Paris), the Toulouse School of Economics, Humboldt University (Berlin), Middlebury College, Vermont, US, and many other universities throughout the world.

We will not try to cover all the macroeconomics in the textbook, but rather focus on a number of key topics in detail to give you a feel of what macroeconomics is really about. Hopefully you will be excited by the course and decide to take more courses from the Economics Department at your school.

---

\(^1\) During July 2019 a two-day workshop will be held at Columbia University NY to rethink the way introductory economics is taught in the US. The primary goal of the conference is to develop a modernized, empirically grounded, and historically informed US economics curriculum that builds on the pioneering work by CORE scholars.
The course is organized in five themes, and we will spend on average one week per theme.

**Theme 1  INTRODUCTION**

*Unit 1 – The capitalist revolution*
The central theme of this unit is the big picture of how the global economy came to look as it does today. We will have a look at how capitalism has revolutionized the way we live, and how economists attempt to understand capitalism (market economy) vis-à-vis other economic systems. Why is a negative connotation often attached to “capitalism”?

*Unit 2 – Technology, population and growth*
Why have technologies such as computers and cell phones developed to fast during the past few decades? How is a specific technology chosen, given the price of input factors? How does technology, and the improvements thereof, sustain economic growth and improve our living standards over time?

**Theme 2  THE LABOR MARKET AND UNEMPLOYMENT**

*Unit 9 – The labor market: wages, profits and unemployment*
We will try to understand the unemployment problem from different perspectives. How are wages determined? What is the relationship between the labor market, wages, profits and unemployment? (The micro principles of the wage and price setting processes are discussed in units 6 and 7.)

*Unit 13 – Economic fluctuations and unemployment*
We will investigate how economies fluctuate between booms and recessions as they are continuously hit by good and bad shocks. How do fluctuations in total output of a nation (as measured by the gross domestic product) affect unemployment – a serious hardship for people? How do households and firms respond to shocks to the economy?

*Unit 14 – Unemployment and fiscal policy*
We will think about how governments can intervene to moderate costly fluctuations in employment and income. Does the size of government matter? The role of fiscal policy: how government can use taxes and spending to dampen and amplify fluctuations (stabilize or destabilize the economy).

**Theme 3  CREDIT MARKETS, MONEY AND BANKING**

*Unit 10 – Banks, money and the credit market*
We will start this theme by focusing on banks and the money market. We will focus on how mutual gains motivate credit market transaction and the conflict between lenders and borrowers over the rate of interest. What is the role of banks
as profit-maximizing firms in creating money? What is the role of a nation’s central bank in the process?

Unit 15 – Inflation, unemployment, and monetary policy
Next we will consider how the rate of unemployment and the level of output in the economy affect inflation, the challenges this poses to policymakers, and how this knowledge can support effective policies to stabilize employment and incomes. We will discuss the trade-off between unemployment and inflation and the concept of an inflation-stabilizing rate of unemployment. What is the role of central banks? What are the tools and transmission channels through which monetary policy affect aggregate demand and inflation?

Theme 4 LONG-RUN ECONOMIC PERFORMANCE

Unit 16 – Technological progress, employment, and living standards in the long run
In this unit we discuss how long-term trends and differences in living standards and unemployment between countries are the result of technological progress, institutions and policies. What are the links between increased use of machinery and other capital goods in production, alongside better technology and increased knowledge and improvements in living standards in the long run?

Theme 5 APPLICATION OF THE MODELS

Unit 17 – The Great Depression, golden age, and global financial crisis
We start at the Great Depression of 1933 and look at the history of macroeconomics right up to the Global Financial Crisis of 2008 and beyond and try to find linkages between the events in history.

Unit 18 – The nation and the world economy
In this unit we consider how the integration of national economies into a global system of trade, investment and labor migration provides opportunities for mutual gains. What about potential conflict over the distribution of the gains? Are government policies optimal for fully exploiting mutual gains possible, distributed gains fairly, and reduce the economic insecurities involved in the globalization process.

Unit 19 – Economic Inequality
We know that economic disparities are mostly a matter of where you were born, who your parents are, and (in some countries) your gender. What are the recent trends in inequality and how can policies and institutions reduce unfair inequalities while raising average living standards?
Unit 22 – Economics, politics and public policy
As an economic actor, a democratic government in a capitalist economy can promote improved living standards, with gains fairly shaped. Why, often, does this not happen? In this unit we look at how institutions and policies are chosen. Why do democracies still suffer from inefficient economic outcomes?