

Budapest University of Technology and Economics
Faculty of Economic and Social Sciences

Course Syllabus and requirements

03/02/2019

Business Administration and Management BA
International Business Economics BA
Finance & Accounting BA
Engineering Management BA

Obligatory

(400+ recipients)

Not open for Erasmus students

Economics II / Macroeconomics

2.	Course code	Semester	Hours per week (Theory/Practice)	ECTS credits	Language of Instruction	Level (BSc/BA/MSc /MA)
	BMEGT30A101 BMEGT30A103	2018/2019/2	2/0	3	English	BSc/BA

3. Course supervisor (name, title, department):

Dr. Zsombor LIGETI, deputy head of the department, Department of Economics

4. Lecturers:

Name:	Position:	Department /Institute / Availability (Office, e-mail):
Zsombor Ligeti Ph.D.	associate professor	QA215, ligetizs@kgt.bme.hu

5. Preliminary knowledge required:

Economics I / Microeconomics, Basic calculus

6. Academic prerequisites:

Microeconomics

7. Objectives and description of the course:

Most people perceive the state of the economy through a bunch of personal stories, whereas economists seek for patterns in the statistical data. Like children build toy models to imitate

reality, an economist uses formal models to get a better understanding of the world we live in. During the semester, we will develop a set of analytic tools to translate the stories into models and capture the national economy as a system. This course is an introduction to the rationale beyond the casual perception.

Inspired by the idea that “*models are stories made precise*” we present the most recognized macroeconomic models to reveal the key connections among the well-known stories. Under our current understanding, stories tend to evolve differently depending on the time horizon they involve. In the first part of the course students get acquainted with the neoclassic theory to describe the economy on the long run. In the second part, they gain insight into the key concepts of the Keynesian theory to explain short term fluctuations. In the final part, we utilize the models to discuss different economic policies concerning practical problems such as inflation, unemployment, indebtedness, and inequality.

This course is primarily designed for the recipients of the 400+ Grants pursuing a bachelor’s degree in economics but suitable for other undergraduate students as well. After having it finished, participants should be able to understand and discuss the latest concepts on the laws governing the economy on large scale.

8. Detailed thematic:

Week	Topic	Description
1.	The Science of Macroeconomics	The big issues: What macroeconomists study? What is the subject matter of macroeconomics? Theory as model building. The use of multiple models. Prices: flexible versus sticky. From stories to data, from data to models. From models to answers? Methodological issues. Ch. 1.
2.	The Data of Macroeconomics The Circular Flow The System of National Accounts	Empiricist view of macroeconomics. Stylized facts. The measures of economic performance: income, inflation, unemployment, income distribution. Ch. 2.
3.	Simplest Long Run Model of a Closed Economy	Where does income come from, and where does it go? Simplest long run model of a closed economy. Ch. 3.
4.	The Monetary System	What is money and how is it created? How does the monetary system work? Introduction to monetary and banking policies. Seigniorage and the multiplication of money. The quantity theory of money. Ch. 4.
5.	Inflation and its Social Costs	Inflation and interest rates. What causes inflation? Is inflation inevitable and necessary harmful? The neoclassical dichotomy. Ch. 5.
6.	The Labour Market	Why are people unemployed? The neoclassic answers: minimum & efficiency wages, collective bargaining, frictional & structural unemployment. Natural rate of unemployment. Is full employment ever achievable? Ch. 7.

7.	1 st Midterm Exam	Exam concerns Ch. 1–5., 7.
8.	The Economy in the Very Long Run Economic Growth Theory I.	Why have some nations prospered while others remained in poverty? The accumulation of capital and the Solow growth model. What is welfare and development? Summary: The neoclassical theory. Ch. 8.
9.	Economic Growth Theory II.	Growth factors: savings and technology. The Golden Rule level of capital. Exogenous & endogenous growth. Sources of growth and promoting policies. Ch. 9.
10.	Economic Fluctuations The Aggregate Demand The Keynesian Cross	Time horizons in Macroeconomics: From the Long run to the Short Run. Recessions: Why do we need stabilization policies? Okun's law and the Phillips-curve. Why do crises repeatedly happen? The IS-LM system. The AS-AD model. Overview: The theory of Short Run fluctuations. Ch. 10–11.
11.	Economic Policy Stabilization Policy	Applying the IS-LM model. How do fiscal and monetary policies affect the economy on short run? What is the difference between normative and positive economics? Alternative perspectives on stabilization policies. Expectations and the Lucas critique. Ch. 11–12., 18.
12.	Inflation & Unemployment Economics on the Short Run	The trade-off between unemployment and inflation: The Phillips-curve revisited. Summary: The Keynesian theory. Ch. 14.
13.	2 nd Midterm Exam	Exam concerns Ch. 8–12., 14, 18, Epilogue
14.	Midterm Retake Exam	

9. Teaching methods (lecture, seminar, laboratory):

Lectures only

10. Requirements, assessment, exams:

Percentage	Hungarian grade	ECTS equivalent	Explanation
86-100	5	A	Excellent
74-85	4	B	Good
62-73	3	C	Satisfactory
50-61	2	D	Pass
0-49	1	F	Fail

11. Make-up duties and make-up exams:

Two midterm exams

12. Consultation opportunities, office hours:

To be pronounced at the beginning of the semester.

13. Course material, compulsory and recommended readings:

Gregory N. Mankiw – Macroeconomics (9th edition), Worth Publishers, New York, 2016.

14. Workload:

Contact hours	28
Preparation for the classes	14
Preparation for the assessments	0
homework	0
acquiring the course material	20
preparation for the exams	28
total	90

15. Course thematic has been prepared by (name, title, department):

Dr. Zsombor LIGETI, associate professor, Department of Economics