# Economics for International and Public Affairs I (U4200) - Fall 2009

<table>
<thead>
<tr>
<th>MW</th>
<th>TR</th>
<th>General Topic</th>
<th>Specific Topics</th>
<th>Reading</th>
<th>Homework</th>
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<tbody>
<tr>
<td>8-Sep</td>
<td></td>
<td>Introduction to Microeconomics, Supply and Demand</td>
<td>Introduction to Microeconomics, Demand, Elasticity of Demand</td>
<td>1.1 and 1.2; 2.1, 2.4, and 2.5</td>
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<tr>
<td>9-Sep</td>
<td>10-Sep</td>
<td>Introduction to Microeconomics, Supply and Demand</td>
<td>Introduction to Microeconomics, Demand, Elasticity of Demand</td>
<td>1.1 and 1.2; 2.1, 2.4, and 2.5</td>
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<tr>
<td>14-Sep</td>
<td>15-Sep</td>
<td>Supply and Demand</td>
<td>Elasticity of Demand, Supply, Equilibrium, Comparative Statics</td>
<td>2.1, 2.2, 2.3, 2.4, and 2.5</td>
<td>1</td>
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<tr>
<td>16-Sep</td>
<td>17-Sep</td>
<td>Supply and Demand, Analysis of Competitive Markets</td>
<td>Comparative Statics, Consumer and Producer Surplus, Quota</td>
<td>2.6; 9.1, 9.2, and 9.4</td>
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<tr>
<td>21-Sep</td>
<td>22-Sep</td>
<td>Analysis of Competitive Markets</td>
<td>Quota, Price Ceiling, Minimum Price, Price Supports</td>
<td>9.1, 9.3, and 9.4</td>
<td>2</td>
</tr>
<tr>
<td>23-Sep</td>
<td>24-Sep</td>
<td>Analysis of Competitive Markets and Consumer Theory</td>
<td>Tax, Subsidy</td>
<td>9.6</td>
<td></td>
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<tr>
<td>28-Sep</td>
<td>29-Sep</td>
<td>Consumer Theory</td>
<td>Budget Constraint</td>
<td>3.2</td>
<td>3</td>
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<tr>
<td>30-Sep</td>
<td>1-Oct</td>
<td>Consumer Theory</td>
<td>Consumer Preferences</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>5-Oct</td>
<td>6-Oct</td>
<td>Consumer Theory</td>
<td>Optimal Choice</td>
<td>3.3 and 3.5</td>
<td>4</td>
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<tr>
<td>7-Oct</td>
<td>8-Oct</td>
<td>Consumer Theory</td>
<td>Lump-Sum Principle</td>
<td>Lecture Notes (posted on 6-Oct)</td>
<td>5 (not due)</td>
</tr>
<tr>
<td>12-Oct</td>
<td>13-Oct</td>
<td>Uncertainty</td>
<td>Quantifying Uncertainty, Preferences towards Risk</td>
<td>5.1 and 5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>19-Oct</td>
<td>20-Oct</td>
<td><strong>REVIEW for the Midterm</strong></td>
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<tr>
<td>21-Oct</td>
<td>22-Oct</td>
<td>Producer Theory</td>
<td>Isoquant, Isocost, Cost Minimization</td>
<td>6.1 and 6.3</td>
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### Midterm on 23-Oct

| 26-Oct| 27-Oct| Producer Theory                                         | Cost Minimization, Returns to Scale                      | 6.3 and 6.4                  | 6        |
| 28-Oct| 29-Oct| Producer Theory                                         | Cost Functions                                           | 7.1 and 7.2                  |          |
| 2-Nov | 3-Nov | Producer Theory                                         | Profit Maximization                                      | 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, and 8.7 |          |
| 9-Nov | 10-Nov| Externalities and Public Goods                          | Externalities                                            | 18.1, 18.2, and 18.4         | 7        |
| 16-Nov| 17-Nov| Asymmetric Information                                  | Moral Hazard                                             | Lecture Notes (posted on 13-Nov) | 8        |
| 18-Nov| 19-Nov| Asymmetric Information                                  | Adverse Selection                                        | Lecture Notes (posted on 16-Nov) |          |
| 23-Nov| 24-Nov| Asymmetric Information                                  | Health Insurance Market                                   |                              |          |
| 25-Nov| 26-Nov| --                                                      |                                                          |                              |          |
| 30-Nov| 1-Dec | Non-competitive Markets                                 | Market Power: Monopoly                                    | 10.1, 10.2, 10.3, 10.4, and 12.1 | 9        |
| 2-Dec  | 3-Dec | Non-competitive Markets                                 | Economics of Antitrust: Price Discrimination and Bundling | 10.7, 11.1, 11.2, and 11.5   |          |
| 7-Dec  | 8-Dec | Non-competitive Markets                                 | Game Theory                                              | 13.1, 13.2, 13.3, and 13.5   |          |
| 9-Dec  | 10-Dec| Non-competitive Markets                                 | Oligopoly                                                | 12.2, 12.4, 12.5, and 12.6   |          |
| 14-Dec| 15-Dec| **REVIEW for the Final**                                |                                                          |                              |          |

### Final on 18-Dec

Note: There is no class on the dates in red.
Andrea Bubula  
Office: IAB 1312  
Telephone: (212) 854-5518  
ab510@columbia.edu

Office Hours:  
RF 8:45am-10:45am

Teaching Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
<th>Office Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casey Gheen (TA)</td>
<td><a href="mailto:clg2147@columbia.edu">clg2147@columbia.edu</a></td>
<td>M 10:45am-12:45pm</td>
</tr>
<tr>
<td>Leah Trzcinski (TA)</td>
<td><a href="mailto:lt2327@columbia.edu">lt2327@columbia.edu</a></td>
<td>T 2:00pm-4:00pm</td>
</tr>
<tr>
<td>Tyler Nielsen (TA)</td>
<td><a href="mailto:tjn2109@columbia.edu">tjn2109@columbia.edu</a></td>
<td>W 12:00pm-2:00pm</td>
</tr>
<tr>
<td>Dominik Paris (TA)</td>
<td><a href="mailto:dp2413@columbia.edu">dp2413@columbia.edu</a></td>
<td>R 2:00pm-4:00pm</td>
</tr>
<tr>
<td>Antonia Haber (DRA)</td>
<td><a href="mailto:aeh2152@columbia.edu">aeh2152@columbia.edu</a></td>
<td>W 2:00pm-4:00pm</td>
</tr>
<tr>
<td>David Kovatch (DRA)</td>
<td><a href="mailto:dk2445@columbia.edu">dk2445@columbia.edu</a></td>
<td>M 2:00pm-4:00pm</td>
</tr>
<tr>
<td>Krystelle Carroll (DRA)</td>
<td><a href="mailto:klc2145@columbia.edu">klc2145@columbia.edu</a></td>
<td>T 11:00am-1:00pm</td>
</tr>
<tr>
<td>Katia Izyumov (DRA)</td>
<td><a href="mailto:ei2146@columbia.edu">ei2146@columbia.edu</a></td>
<td>F 1:00pm-3:00pm</td>
</tr>
<tr>
<td>Anne Schulze (Tutor)</td>
<td><a href="mailto:as3473@columbia.edu">as3473@columbia.edu</a></td>
<td>By Appointment</td>
</tr>
<tr>
<td>Carlos Perez (Tutor)</td>
<td><a href="mailto:cap2176@columbia.edu">cap2176@columbia.edu</a></td>
<td>By Appointment</td>
</tr>
</tbody>
</table>

Teaching Schedule

**Section 1**  
MW 9:00am-10:30am (Room 410)  
**Recitation (Casey)**  
R 9:00am-10:30am (Room 404)  
*or* R 6:10pm-7:40pm (Room 404)

**Section 2**  
MW 10:45am-12:15pm (Room 410)  
**Recitation (Leah)**  
R 9:00am-10:30am (Room 405)  
*or* R 2:10pm-3:40pm (Room 410)

**Section 3**  
MW 12:30am-2:00pm (Room 410)  
**Recitation (Tyler)**  
F 9:00am-10:30am (Room 410)  
*or* F 12:30pm-2:00pm (Room 410)

**Section 4**  
MW 4:30pm-6:00pm (Room 410)  
**Recitation (Dominik)**  
F 10:45am-12:15pm (Room 410)  
*or* F 3:10pm-4:40pm (Room 413)
Course Description

This course continues the one-year sequence initiated with U4200 and focuses on macroeconomics. The goal of this course is to provide you with the analytical framework to examine and interpret observed economic events in the global economy. We will first familiarize with the measurement of the macroeconomic variables that are used to evaluate the well-being of nations. Next, we will build from microeconomic principles to clarify the causal links between macroeconomic aggregates. The subject matter will always refer to concrete situations with a particular focus on the causes and effects of the current global financial crisis. The controversial nature of macroeconomic policies will be central.

Textbook

The textbook used as a general reference for this class is *Macroeconomics* 6th Edition by Abel, Bernanke, and Croushore (ABC), Addison Wesley. Previous editions by Abel and Bernanke are equally good.

Requirements

You are required to attend all classes and recitations, complete homework assignments, make a group presentation, and take a midterm and a final exam. The grade for the course is a weighted average of five grades: attendance, participation and punctuality (5%), group presentation (10%), homework assignments (20%), midterm (30%), final (35%). Grades will be curved according to the overall performance of the four sections. Free-riding in your homework group will be penalized. Cheating will not be tolerated. Having access to the answer keys of assignments and exams from previous years is considered cheating.

Problem Sets

There will be eleven problem sets, which will be made available on courseworks. The problem sets before the midterm and the final will be posted together with the solution and will not be graded. The schedule of the problem sets is the following:

<table>
<thead>
<tr>
<th>Problem Set</th>
<th>Available</th>
<th>Due</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>January 27</td>
<td>February 3</td>
</tr>
<tr>
<td>2</td>
<td>February 3</td>
<td>February 10</td>
</tr>
<tr>
<td>3</td>
<td>February 10</td>
<td>February 17</td>
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<tr>
<td>4</td>
<td>February 17</td>
<td>February 24</td>
</tr>
<tr>
<td>5</td>
<td>February 24</td>
<td><strong>Not due</strong></td>
</tr>
<tr>
<td>6</td>
<td>March 3</td>
<td>March 24</td>
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<tr>
<td>7</td>
<td>March 24</td>
<td>March 31</td>
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<td>8</td>
<td>March 31</td>
<td>April 7</td>
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<tr>
<td>9</td>
<td>April 7</td>
<td>April 14</td>
</tr>
<tr>
<td>10</td>
<td>April 14</td>
<td>April 21</td>
</tr>
<tr>
<td>11</td>
<td>April 21</td>
<td><strong>Not due</strong></td>
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</table>
Groups of up to **four** students may submit homework assignments together. Group members can be from any section of the course. Hand in only one homework for each group. Please remember to write the names of all the group members on the first page of your answers to the problem set. Problem sets must be submitted in one of the two mailboxes on the 6th floor (near the Student Affairs office) assigned to our course (#51 and #53). You may not email your answers. Graded homework will be returned to the folder of the first student listed on the homework.

**Exam Dates**

Midterm: March 5\textsuperscript{th} (to be confirmed)
Final: May 7\textsuperscript{th} (to be confirmed)

Please let me know within the first two weeks of classes if you cannot make any of these dates.

**Courseworks**

This class uses courseworks; Check the course page regularly at https://courseworks.columbia.edu/ for updates. Problem sets, solutions and readings will be posted there.

**Discussion Board**

If you have a question on any of the topics of the course, post a note on the discussion board of courseworks. The teaching team will reply.

**Outline of the course**

1. **Introduction to the Macroeconomy: Measurement Issues**

   National income accounting: the measurement of GDP and GNP
   Real and Nominal GDP, Inflation
   The Exchange Rate and GDP comparisons across countries
   Saving and wealth: measurement of and uses of savings
   The Government Budget
   The Balance of Payments
   Interest rates: Real vs nominal values

2. **The Labor Market**

   Production function
   Supply of labor: the labor-leisure trade-off
   Demand for labor
   Labor market equilibrium
   Unemployment
3. The market for Goods in Closed and Open Economies

   Saving vs consumption: the Fisher diagram, the desired level of savings and the life-cycle hypothesis
   Investment: the desired capital stock
   The goods market equilibrium in the closed economy
   The goods market equilibrium in the open economy

4. Introduction to the Asset Market

   The Supply of Money and the banking system
   The Quantity Theory of Money
   The Demand for Money
   Asset Market Equilibrium
   The Term Structure of Interest Rates
   Inflation in the Long Run

5. Introduction to Business Cycle Theory

   History of Business Cycles
   The IS-LM Model
   Price Adjustments, Classical vs Keynes
   Monetary and Fiscal Policy in the Keynesian Model
   Aggregate Demand and Aggregate Supply
   Permanent Shocks and Wealth effects
   Misperceptions theory
   The Phillips Curve

6. The Open Economy

   Exchange Rates in the Long Run and in the Short Run
   Exchange Rate Regimes
   Currency Crises
   IS-LM Model in the Open Economy