

**COURSE DATA****Data Subject**

<b>Code</b>	36120
<b>Name</b>	Macroeconomics I
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2022 - 2023

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
1316 - Degree in Economics	Faculty of Economics	2	First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1316 - Degree in Economics	13 - Macroeconomics	Obligatory

**Coordination**

<b>Name</b>	<b>Department</b>
MURGUI GARCIA, MARIA JOSE	10 - Economic Analysis

**SUMMARY****Macroeconomics**

is the field of economics that studies the determination of the main aggregate variables, such as output, inflation, unemployment, etc. The macroeconomic approach takes these variables as being the result of actions taken by households, firms and governments across all the markets in the economy. These variables are thought of as equilibrium prices and quantities in such markets. This is the **general equilibrium** nature of macroeconomics. Thus, emphasis will be placed on understanding how these different markets work and how they interact with each other. The way markets work depends on the time perspective with which we look at them. Most macroeconomic phenomena are associated with the passage of time. This is the **dynamic** feature of macroeconomics. More than in any other field in economics, macroeconomists disagree about the causes of the observed outcomes. These debates are based on different views of the way markets adjust, as well as on different interpretations of the available evidence. This is important



because these different views are the basis of alternative actions taken by governments to tackle economic problems. **Controversies** are intrinsic to macroeconomics.

This course covers the theory of modern macroeconomics. The aim of the course is to equip students with an understanding of how markets work in generating the observed macroeconomic outcomes and to provide them with a grasp of macroeconomic analysis at the intermediate-level using graphical techniques.

After an introductory topic, Topic 1 reviews the theory of aggregate supply and demand under price flexibility, both in the closed as well as in the open economy case. The macroeconomics of the long run is a straightforward extension of the topics studied in Intermediate Microeconomics and gives us a glimpse of how the main aggregate variables are determined in a market-clearing, frictionless economy. In this setting there is a clear separation between the determinants of real and nominal variables: the ‘classical dichotomy’. Basically, output, employment and relative prices, including the real interest rate and the real exchange rate, are independent of the amount of money, which only determines long-run inflation.

In the short run though, output, unemployment and inflation fluctuate around their long-run values. Topics 2, 3 and 4 lay out the basic tenets of short-run macroeconomics. Labor and product market frictions induce firms to supply more output when nominal demand rises. We study how these frictions destroy the ‘classical dichotomy’ and give a prominent role to demand management (fiscal and monetary) policies. Then, we look in detail into how goods and financial markets interact to generate the aggregate demand curve (IS-LM), both in the closed and in the small open economy.

Topic 5 brings the analysis of the aggregate demand and supply in the short run into a unified framework. This is the canonical macroeconomic model that can be used to analyze the effect of shocks and policies on the main aggregate variables of interest: output, inflation, interest rate, etc.



In

Topic 6 we focus on the determinants of unemployment, both in the short and in the medium term. Mass unemployment is the consequence of a series of market failures in the economy. We discuss the response of unemployment to stabilization and structural policies.

The course

combines both lectures and classes. The exercises to be discussed in the classes are an integral part of the course. The final exam will contain both theory questions and exercises.

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

Introductory Macroeconomics and Basic Maths

## OUTCOMES

### 1316 - Degree in Economics

- Show critical thinking skills.
- Have decision-making skills and be able to apply knowledge to practice.
- Be able to learn autonomously.
- Be able to use English in a professional environment.
- Apply the principles of economic analysis (rational decision) to the diagnosis and resolution of problems.
- Understand and apply the scientific method, which involves formulating hypotheses, deducing verifiable results and contrasting them with empirical and experimental evidence.
- Understand the functioning of the economy at the aggregate level and the effect of different economic policies.



- Know and understand the determinants of the long-term sustainable growth of an economy.
- Understand the possible causes of economic cycles and the effects of stabilisation policies.
- Have appropriate knowledge of the determinants of aggregate consumption, savings and investment.
- Know and understand the nature of international trade and of the financial framework in which it takes place.
- Know and understand the functioning of labour markets and the determinants of unemployment and wages.
- Know the economic measures to reduce income inequality and poverty.

## LEARNING OUTCOMES

The expected results of the learning of the subject Macroeconomics I are the following:

- Know the concepts and analysis schemes sufficient to analyze and interpret the national and international reality from a macroeconomic perspective.
- Know and manage the sources of information-statistics (especially the National Accounting) and qualitative - used by economists to follow the evolution of Current economies.
- Use analytical reasoning to pose problems macroeconomic and solve them
- Understand the dynamic nature of macroeconomic relationships, the role of the intertemporal decisions and the expectations of the participants in the markets.
- Understand the role of incentives and strategic decisions in the behavior of companies and consumers and their importance in the design of the economic policy.
- Critically evaluate the magnitude and importance of the different economic problems as well as the advantages and disadvantages derived from policies designed to solve them, and their impact on society.
- Understand the role of economic institutions in the economic context international.
- Understand and transmit in a simple but rigorous way the contents of the reports and studies of the main national and international economic organizations.
- Understand and analyze topics of relevance, individually and being part of a working group.

## DESCRIPTION OF CONTENTS

### 1. Introduction

1. From micro to macroeconomics.
2. General equilibrium: markets and agents, prices and quantities.
3. The short run versus the long run.
4. Real and nominal variables.



Mankiw, Chapters 1 and 2.

## 2. The Determinants of National Income and Prices. The Long Run

1. Long-run aggregate supply. Factor markets and income distribution.
2. Saving and investment: closed and open economy.
3. What is money? Money supply and money demand.
4. Money, prices, interest rates and exchange rates in the long run.

Mankiw, Chapters 3, 4 and 5.

## 3. Aggregate demand: the IS-LM model

- 3.1 The market for goods and services: the IS curve.
- 3.2 Financial markets: the LM curve
- 3.3 The aggregate demand curve of the economy.

Mankiw, Chapters 11 and 12

## 4. Aggregate Demand in the Open Economy

1. The goods market in the open economy
2. Financial markets in the open economy
3. Aggregate demand: flexible versus fixed exchange rates
4. The open economy. Monetary and fiscal policies in the short run (fixed prices).

Mankiw, Chapter 12.

## 5. Aggregate Demand and Aggregate Supply. The complete macroeconomic model

1. The long-run Ad-AS model: closed economy.
2. The long-run Ad-AS model: open economy.
3. The short-run Ad-AS model: closed economy.
4. The short-run Ad-AS model: open economy.

Mankiw, Chapter 14.

## 6. The Economy of the financial crisis

- 6.1 The anatomy of the crisis.
- 6.2 Reconsideration of the goods market: consumption, investment and credit.
- 6.3 Financial markets and the credit multiplier.
- 6.4 Liquidity trap and the new monetary policy options.
- 6.5 The effectiveness and limitations of fiscal policy.





Mankiw, Chapters 12 and 20.

## WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Attendance at events and external activities	4,00	0
Development of group work	15,00	0
Study and independent work	35,00	0
Preparation of evaluation activities	6,00	0
Preparing lectures	15,00	0
Preparation of practical classes and problem	15,00	0
<b>TOTAL</b>	<b>150,00</b>	

## TEACHING METHODOLOGY

Macroeconomics I: both in classes theoretical as practical, will be geared towards combining work capacity individual with teamwork.

- For theoretical classes: students will prepare in advance the readings that serve as the basis for the theoretical explanation. The teacher will combine his explanations with the active participation of the students.

Is it aims to make the student develop both his autonomous work capacity(with previous work in class), as their ability to work as a team, argue and defend ideas (group discussions) and their ability to communicate orally, writing.

- For the practical classes students will prepare a set of exercises and practical cases that will be worked in the classroom. On the one hand, each individual student will have to prepare these tasks and, on the other each week, a group of students will prepare a set of exercises, readings and cases that will be resolved and will be presented in the classroom to the rest of their classmates.

Part of the tasks to be carried out will be based on the search of information on the websites of recognized economic institutions and statistics and on the economic pages of the press. It is intended that the student develop his ability to locate information, select it and evaluate its quality, develop your thoughts by analyzing schemes and contrasting them with data, work in groups in a coordinated way, solve problems, and communicate their opinions and results with clarity.

The planned tasks, both individual and joint, may result in different deliveries of results (exercises, works, presentations), which will be evaluated by the teacher.



## EVALUATION

The subject of Macroeconomics I will be evaluated based on the consideration, by this order of relevance, of the following aspects:

1. Written exam at the end of the course that will consist of theoretical questions and practices.
2. Evaluation of the practical activities developed by the student during the course, from the elaboration of works, oral presentations and problem solving.
3. Continuous evaluation of the student, based on their participation and involvement in the teaching-learning process.

In the subject of Macroeconomics I, the total evaluation is broken down as follows:

- 30% corresponds to the evaluation of the different activities developed throughout the course and the active participation of the student
- 70% corresponds to the final synthesis test.

The activities carried out and evaluated throughout the course will not be recoverable, since, by its nature, it is not possible to design a test within the framework of the second call that is able to reflect and evaluate the objectives for which these activities are planned : effort to learn and progress in acquiring knowledge about the design of a test.

- The final synthesis test has a mandatory nature and to pass it (obtaining a minimum of 3.5 out of 7 points) is an indispensable condition for passing the subject.

## REFERENCES

### Basic

- Macroeconomía, N.G.Mankiw, 2020, 10ª edición. Ed.Bosch.

### Additional

- Dornbusch, R., Fischer, S. y Startz, R. Macroeconomía (décima edición, 2008) Ed. McGraw-Hill, Madrid, 2001. Página web en: <http://www.mhhe.com/economics/dornbusch8e/>
- Mankiw, N.G , Principios de Economía 5ª edición. Ed. Cengage Learning
- Delong, J.B y Olney,M. Macroeconomía (segunda edición), Ed Mc Graw Hill, Madrid, 2007



- Abel, A.B. y Bernanke, B.S. Macroeconomics (fifth edition), Ed. Prentice Hall, 2006.
- Oliver Blanchard: Macroeconomía. 7ª ed. (2017). Pearson

