

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

<b>Code</b>	36121
<b>Name</b>	Macroeconomics II
<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. Period</b>
1316 - Degree in Economics	Faculty of Economics	2 Second 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>
CUTANDA TARIN, ANTONIO	10 - Economic Analysis

**SUMMARY**

Macroeconomics II is a one semester compulsory course, with a total workload of 6 credits (3 theoretical and 3 practical), in the Degree of Economics. It is a natural extension of the subject Macroeconomics I, taught in the previous semester. Together these courses constitute a full year course of Intermediate Macroeconomics that is offered to students who already have basic knowledge of economic theory. Students will later on complete their training in this field with a more advanced course on Dynamic Macroeconomics.

The main objective of the course is to provide students a general overview of Macroeconomics, presenting the basic concepts, models and policy issues that students should be familiar with to properly develop their professional activities once graduated.

The course begins with a detailed analysis of the labour market, including the study of the determination of wages and prices in non-competitive markets, unemployment persistence (hysteresis) and policies to reduce structural unemployment.



The two following topics study in depth two key economic decisions made by households and firms: consumption (saving) and investment. Special attention is paid to the role of financial frictions and of agents' expectations, as key determinants of these important intertemporal decisions.

Topics 4 and 5 present the modern approach to the objectives, design and effects of monetary and fiscal policies. As regards to monetary policy, topic 4 studies the problems associated with the control of monetary aggregates and the analysis of interest rate management by central banks. The Taylor rule is introduced into the analysis of monetary policy. We also deal with the constraints imposed on monetary policy by the zero lower bound of the interest rate, and present the new developments in central banking, like quantitative easing and other non-conventional monetary policies. Topic 5 covers classical as well as recent issues regarding the design of fiscal policies. The Ricardian equivalence, problems associated with the financing of the government deficit and the size of the public debt, the size of fiscal multipliers in different macroeconomic environments and the role of fiscal rules, are analyzed in detail.

Topic 6 is an introduction to Solow's growth model, a fundamental piece of the modern Economic Growth Theory, and critical to the study of economic integration and convergence among economies that start from different levels of income per capita at a given point in time. In this topic we also discuss the theory of endogenous growth that addresses the role of human capital, technical change and innovation as drivers of economic development.

The course ends (topic 7) presenting a very simple dynamic macroeconomic model that gives students a first glance to more elaborated dynamic models to be studied in higher courses. This topic pays special attention to the dynamic effect of shocks and policies in macro models. This model and the course material is then used to analyze some recent economic crisis (financial crisis and Covid 19) and to assess the policy decisions made by governments, central banks and international institutions to cope with their more negative economic and social effects.

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

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

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

### Other requirements

Se recomienda tener aprobada la Macroeconomía I

## COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)

### 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 effects of the existence of private information in relation to quality and productivity on the functioning and performance of markets and enterprises, as well as their possible private and public solutions.
- Recognise strategic conflicts and know how to use basic strategic principles to obtain cooperation and coordination in incentive problems.
- 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.

### **LEARNING OUTCOMES (RD 1393/2007) // NO CONTENT (RD 822/2021)**

The student has enough macroeconomic background to analyze and interpret the national and international reality from an economic perspective.

He uses analytical reasoning to raise economic problems and solve them.

He is able to understand the set of interactions taking place between the different markets of an economic system.

He understands the dynamic nature of macroeconomic relations, the role of intertemporal decisions and the expectations participants in the market.

He understands the role of incentives and strategic decisions in the behavior of firms and consumers and their importance in economic policy design.

He evaluates critically the relevance and importance of the different economic problems as well as the advantages and disadvantages derived from the potential economic policies designed to solve them, and their impact on society.

He has the ability to gather bibliography, to structure it and interpret it from a theoretical setting.



## DESCRIPTION OF CONTENTS

### 1. The labor market and unemployment

- 1.- Determination of wages and prices in non competitive markets.
  - 2.- The natural rate of unemployment and hysteresis.
  - 3.- Unemployment and structural policies.
  - 4.- Technical progress and unemployment.
- Blanchard chs. 7, 8 & 13; Mankiw ch 7 & 14.2

### 2. Consumption and saving

- 1.- The intertemporal decision of the consumer.
  - 2.- Life cycle and the theory of permanent income.
  - 3.- Imperfect capital markets, liquidity constraints and uncertainty.
- Blanchard ch. 15; Mankiw ch. 19

### 3. Investment

- 1.- Types of investmetn and investment theories.
  - 2.- The demand for capital.
  - 3.- The demand for investment: Tobin q's theory.
- Blanchard ch 15; Mankiw ch 19

### 4. Money and monetary policy

- 1.- Instruments of monetaruy policy: interest rate rules.
  - 2.- Monetary policy design: Objectives and credibility.
  - 3.- Expectations and money: hiperinflation.
  - 4.- Deflation, the Zero Lower Bound of interest rate and non-conventional monetary policy.
- Blanchard ch 21 & 23; Mankiw ch. 14 & 16

### 5. Fiscal policy

- 1.- Public deficit and the size of public debt.
  - 2.- Ricardian equivalence.
  - 3.- High debt and fiscal space.
  - 4.- Fiscal policy rules.
- Blanchard chs. 21 & 22; Mankiw chs. 14 & 17

**6. Introduction to the economic growth theory.**

- 1.- Empirical evidence.
  - 2.- The neoclassical growth model and the steady state.
  - 3.- Convergence to the steady state. Convergence between countries.
  - 4.- Introduction to the endogenous economic growth models.
- Blanchard 10, 11 & 12; Mankiw 8 & 9

**7. An introduction to macroeconomic dynamics. Economic crises.**

- 1.- Dynamic Aggregate Demand and Dynamic Aggregate Supply.
  - 2.- Introduction to dynamic models.
  - 3.- The Great Depression, the crisis of the 70's and the Great Recession.
  - 4.- The crisis of covid-19.
- Mankiw ch 15 & 19

**8.****WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Development of group work	7,00	0
Study and independent work	40,00	0
Readings supplementary material	10,00	0
Preparation of evaluation activities	3,00	0
Preparing lectures	15,00	0
Preparation of practical classes and problem	15,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

The methods used in the lectures and the discussion sections will combine the capacity of individual work with some teamwork. Before lectures the students should read the textbook as well as the assigned readings as they become available. An active participation in class will be a requirement as part of the continuing evaluation process.





In the discussion sections students will be asked to solve the homework assignments in front of the classmates and will hand at the beginning of the class the written assignments. Some team work might be assigned to groups of 3 students or less. Students are asked to develop both his capacity for independent work, and their ability to defend ideas and their oral and written communication ability.

## EVALUATION

The evaluation of the subject is based on a set of continuous assessment of activities and a final test (a written test at the end of the semester). The total grade is broken down as follows: 30% of the overall mark is for the continuous assessment, including class participation and problem sets, and 70% of the overall mark comes from the final test. On a 10 point basis, 3 or less come from the continuous assessment and 7 or less from the final. The final passing grade is conditional on reaching at least 3,5 (out of 7) in the final test.

The final score will be the sum of the scores of the continuous assessment and the final test (graded for a maximum score of 7). In case of no reaching a passing grade in the final exam, that is to say not getting at least 5 out of 10 or 3,5 out of 7, the grade will be Fail, independently of the accumulated points from the continuous evaluation.

In the event that the student does not follow the continuous assessment system and gets 0 point from it, they will be required to obtain 5 points in the final test out of a maximum of 7 in order to pass the course.

**Important notice:** the continuous assessment activities have the character of **non-recoverable**. Thus, the qualification obtained in the first call (January 2021) is maintained for the second call (June 2021) and cannot be modified.

## REFERENCES

### Basic

- Blanchard, O. Macroeconomía (7ª edición) Ed. Pearson Educación, Madrid, 2017, or, alternatively, Blanchard, O., Amighini, A. and Giavazzi, 2017, Macroeconomics A European Perspective (3ª edición). Pearson. New York.
- Mankiw, N.G. Macroeconomía (10ª edición) Ed. Antoni Bosch, Barcelona, 2020.

### Additional

- Abel, A. y B., Bernanke. Macroeconomía (4ª edición) Ed. Pearson Education, 2003.
- Bradford Delong, J. y M. L. Olney. Macroeconomía (2ª edición) Ed. McGraw- Hill, Madrid 2007.
- Dornbusch, R., Fischer, S. y Startz, R. Macroeconomía (octava edición) Ed. McGraw-Hill, Madrid, 2001.
- Barro, R.J. y Grilli, V. Macroeconomía Europea, McGraw-Hill, 1995.
- Burda, M. y Wyplosz, CH. Macroeconomía: Un Texto Europeo, Ariel Economía, 1994.
- Hall, R.E. y Taylor, J.B. Macroeconomía (3ª edición), Bosch, 1991.
- Layard, R.; Nickell, S. y Jackman, R. La Crisis del Paro. Alianza Economía. Alianza Editorial, 1994.



Sachs, J.D. y Larrain, F. Macroeconomía en la Economía Global, Prentice Hall Hispanoamericana, 1994.

Argandoña, A. y García-Durán, J. A.. Ejercicios de Macroeconomía. McGraw-Hill, Madrid (1991).

Belzunegui, B. Cabrerizo, J., Padilla, R. y Valero, I. Macroeconomía. Cuestiones y ejercicios resueltos. Ed. Prentice Hall, Madrid, 2002.

Belzunegui, B., Cabrerizo, J. y Padilla, R.. Macroeconomía. McGraw-Hill, Madrid (1993).

Díaz, C., Bajo, O. y Mones, M. A.. Ejercicios de Macroeconomía Intermedia. A. Bosch ed., Barcelona (1994).

