

MACROECONOMICS III (21944)

Year 2011-2012

Updated 19 Sept 2011

Lecturer: Xavier Cuadras Morató

PRESENTATION

The subject **Macroeconomics III** is a compulsory third year subject on the Economics bachelor's degree course. The objective of the subject is to analyze in detail some important macroeconomic questions using knowledge from prior courses in Macroeconomics (Macroeconomics I and Macroeconomics II) and some more advanced macroeconomic models that enable more in-depth analysis of the subjects concerned.

The contents of the subject focus on analysis of two very specific macroeconomic questions: 1) macroeconomic theory and policy in monetary unions (and applications in the case of the European monetary union case); and 2) unemployment theories (models based on wage rigidity and frictions in the labour market). In the first part, students will therefore study concepts such as optimum currency areas (benefits and costs of the single currency), the problems of incomplete monetary unions and the optimal design fiscal policy in a monetary union. In the second part, students will study in depth the various theories explaining unemployment, some of which are based on various wage rigidity models (efficiency wages, implicit contracts, etc.) and others based on explicit analysis of frictions in the labour market.

SITUATION WITHIN THE CURRICULUM

This is a compulsory subject with 5 ECTS credits in the bachelor's degree in Economics. It is taught in the first term of the third academic year of the bachelor's degree course.

HOW THE COURSE IS TAUGHT

The course consists of 10 weeks of class (in fact there will only be 9, because there will be no class on 31 October and 1 November). There will be two sessions of an hour and a half every week, taught by the lecturer to both groups. There will also be seminars taught to smaller groups for six weeks, starting in the fourth week of the course. These seminars consider the subjects covered in class in more depth. A list of activities which take place during the seminars (reading, comments, exercises, etc.) will be published every week. Students must work on the lists before the seminar and participate actively during it.

PRIOR KNOWLEDGE

The knowledge covered in the subjects Macroeconomics I and Macroeconomics II.

SUBJECT COMPETENCES (as listed in the bachelor's degree course verification report)

GENERAL COMPETENCES

1. Understanding and interpreting academic written texts in a relevant and reasoned manner.
2. The ability to use consistent arguments to justify their own positions, and to defend them publicly.
3. The ability to satisfactorily use the English language for academic purposes (read, write and speak using a medium-high register).
4. Consolidated habits as regards self-discipline, personal standards and thoroughness in academic work and in organization and correct timescales.
5. A proactive attitude to ascertaining the unknown, essential in all training processes and in all influential professional activities.
6. The ability to apply the knowledge acquired and adapt it to new contexts flexibly and creatively.
7. Awareness of the various contexts within which work takes place: the economic situation, the sector, the market, the business and the department.
8. The ability to communicate appropriately as a professional orally and in writing, and to make use of the advantages provided by ICTs.

SPECIFIC COMPETENCES

1. Understanding the macroeconomic variables that regulate the economy and their interrelation with business management.
2. Thinking with a global macroeconomic perspective and acting with a local macroeconomic perspective.

ASSESSMENT

The subject will be assessed based on the following criteria:

Final examination mark: 70%

Final examination mark. The final examination, lasting two hours, will take place at the end of term. The contents will be based on material presented in class, the recommended reading for each topic, the discussions and material covered at the seminars and the list of activities that students have worked on during the course.

A mark in the final examination of at least 35 points out of a possible total of 100 must be obtained to pass the course. If the mark for the final examination is less than 35 points, this will be recorded as the final mark for the course, without taking into account the results of the continuing assessment.

Continuing assessment mark: 30%

Assessment mark for activities taking place during the term: lists of activities, participation in seminars and specific assessment tests.

The list of activities subject to assessment is as follows:

1. Hand-in of the **list of activities** proposed by the lecturer, **attendance and participation** in the commentary and list correction seminars **(10%)**. The activities (except for those that may be specified) can be done jointly in groups of no more than three students assigned to the same seminar group. The working groups will be established at the beginning of term and cannot be dissolved except for reasons of force majeure. To establish the group, simply notify the lecturer by e-mail (xavier.cuadras@upf.edu) from one of the members before 10 October, specifying the name of the two or three members of the group. A list of the working groups established will be published on 10 October. If the work is done as a group, the group will hand in a single copy of the work with the name of the member students, each of whom will obtain exactly the same mark in the exercise hand-in section. If the lecturers find that any signatory to the work has not participated in doing all the activities, it will be counted as work not handed in.
2. Two **specific assessment tests** (see timeframe) **(20%)**.

Assessment **of the September sitting** will be weighted as follows:

1. Final examination **(90%)**.
2. Continuous assessment **(10%)**, for the mark obtained during the course in section 1 of the continuing assessment. The marks for the partial examinations in specific assessment tests done during the course will not be taken into account for the September sitting.

BIBLIOGRAPHY

This part includes some manuals that will be used during the course. Other materials to be used will be announced by the lecturer.

PART A. EUROPEAN MONETARY UNION MACROECONOMIC THEORY AND POLICY

Basic

- De Grauwe, P. *Economics of Monetary Union*. Oxford University Press, 2009 (8th edition).

Additional

- Baldwin, R. and Wyplosz, Ch. *The Economics of European Integration*. McGraw-Hill, 2009 (3rd edition).

PART B. UNEMPLOYMENT THEORIES (WAGE RIGIDITY AND LABOUR MARKET FRICTIONS)

Basic

- Romer, D. *Advanced Macroeconomics*. McGraw-Hill, 2006 (3rd edition).
- Blanchard, O. J. and Fischer, S. *Lectures on Macroeconomics*. MIT Press, 1989.

CONTENTS

PART A. EUROPEAN MONETARY UNION MACROECONOMIC THEORY AND POLICY

Subject 1. The benefits of a common currency De Grauwe, chap. 3

Subject 2. The costs of a common currency (Optimum currency areas theory)

De Grauwe, chap. 1

Subject 3. A critique of optimum currency areas theory

De Grauwe, chap. 2

Subject 4. Costs and benefits compared

De Grauwe, chap. 4

Subject 5. Political and monetary union

De Grauwe, chap. 5

Subject 6. The fragility of incomplete monetary unions

De Grauwe, chap. 6

Subject 7. Fiscal policies in a monetary union

De Grauwe, chap. 7

PART B. UNEMPLOYMENT THEORIES (WAGE RIGIDITY AND LABOUR MARKET FRICTIONS)

Subject 8. Unemployment theories. Efficiency wages

Romer, chap. 9
Blanchard & Fischer, chap. 9

Subject 9 . Implicit contracts

Romer, chap. 9
Blanchard & Fischer, chap. 9

Subject 10. Search and matching models

Romer, chap. 9
Blanchard & Fischer, chap. 9

TIMEFRAME FOR ACADEMIC ACTIVITIES

The weekly timeframe for the course subjects is approximate and subject to change to adapt it to the progress made during the course.

The **theory classes** will take place at the following times and in the following classrooms:

Monday from 9:00 to 10:30 (classroom 40.S02)

Tuesday from 9.00 to 10.30 (classroom 40.S02)

The **seminars** will take place at the times and in the classrooms below:

Group 101: Wednesday from 9:00 to 10:30 (classroom 13.006)

Group 102: Monday from 12:30 to 14:00 (classroom 40.S16)

Group 103: Wednesday from 10:30 to 12:00 (classroom 13.105)

Group 201: Wednesday from 14:00 to 15:30 (classroom 13.006)

Group 201: Tuesday from 12.30 to 14:00 (classroom 40.S16)

Group 203: Wednesday from 15:30 to 17:00 (classroom 13.105)

Week 0 (21-23 September)

No academic work

Week 1 (26-30 September)

Class 1 (26 September)

Introduction to the course and Topic 1

Class 2 (27 September)

Topic 1 and Topic 2

Week 2 (3-7 October)

Class 3 (3 October)

Topic 2

Class 4 (4 October)

Topic 3

Week 3 (10-14 October)

Class 5 (10 October)

Topic 3

Class 6 (11 October)

Topic 4

Week 4 (17-21 October)

Class 7 (17 October)

Topic 5

Class 8 (18 October)

Topic 6

Seminar 1 (17, 18 and 19 October)

Exercise list 1

Week 5 (24-28 October)

Class 9 (24 October)
Class 10 (25 October)

Topic 6
Topic 7

Seminar 2 (24, 25 and 26 October) Exercise list 2

Week 6 (31 October-4 November)

No classes or seminars

Week 7 (7-11 November)

Class 11 (7 November)
Class 12 (8 November)

Topic 7
Topic 7

Seminar 3 (7, 8 and 9 November) Exercise list 3
Specific assessment test 1

Week 8 (14-18 November)

Class 13 (14 November)
Class 14 (15 November)

Topic 8
Topic 8

Seminar 4 (14, 15 and 16 November) Exercise list 4

Week 9 (21-25 November)

Class 15 (21 November)
Class 16 (22 November)

Topic 9
Topic 9

Seminar 5 (21, 22 and 23 November) Exercise list 5

Week 10 (28 November-2 December)

Class 17 (28 November)
Class 18 (29 November)

Topic 10
Topic 10

Seminar 6 (28, 29 and 30 November) Exercise list 6
Specific assessment test 2

LECTURERS:

Theory

XAVIER CUADRAS
(Lecturer groups 1 and 2)
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Telephone: 93 542 2606
xavier.cuadras@upf.edu

Office hours:
Tuesday from 11:00 to 12:00 and at
other times subject to prior agreement
with the lecturer

Seminars

101: JORDI GALIMANY
102: PIETRO DALLARI
103: PIETRO DALLARI
201: FERNANDO PÉREZ FORERO
202: MARC GOÑI
203: FERNANDO PÉREZ FORERO