

INTRODUCTION TO MACROECONOMICS (IBE)

Academic year 2012-2013

Professor: María Gundín Castro

PRESENTATION

The course **Introduction to Macroeconomics** is fundamental in the curricula of IBE, ECO and ADE students. The course aims at introducing you to the main economic questions that economies as a whole face, and to acquire knowledge and competences that will be the fundamentals for your learning of Economic Theory in more advance and specialized courses. This course, together with Introduction to Microeconomics - (the course you have taken during the first quarter), should be viewed as the first step of the training in Economic Theory for IBE, ECO and ADE students.

In the same way as **Introduction to Microeconomics** helped you understand how households and firms take decisions and interact in different markets, **Introduction to Macroeconomics** will help you understand how those interactions result in important economic aggregates, how those economic aggregates determine and influence each other, and how they simultaneously affect many households, firms and markets of a country or a set of countries. We will therefore study economic aggregates such as a country's income per capita and economic growth, unemployment, inflation, interest rates, exchange rates and the balance of payments. Furthermore we are going to analyze how economic policy, both monetary and fiscal, affects these economic aggregates.

As you can see, macroeconomics concerns real world problems and it is crucial that you are informed about what is going on in the world around you by regularly reading newspapers and magazines like the Financial Times, the Wall Street Journal, The Economist, Expansión, Cinco Días, or the economic sections of The New York Times, La Vanguardia, el País as well as their weekend special sections in economics.

POSITION IN THE CURRICULA PROJECT

This is a required course of 6 credits in the undergraduate degrees (*graus*) of IBE, ECO and ADE. It is offered during the second quarter of the first academic year of the three undergraduate degrees (*graus*).

COURSE ORGANIZATION

The course duration is 10 weeks. All students of a section meet weekly with the professor for two lectures of an hour and a half. Furthermore, for 7 weeks, starting on the third week of the course, there will be weekly seminar sessions with smaller groups of students (sub-sections). Seminar sessions will be used to discuss in more depth the topics studied, to learn to relate the acquired knowledge to everyday economic issues and to solve the problem sets that

students have previously handed in. Problem sets will be handed in weekly and solved in class with the active participation of students. These problem sets must be solved by groups of *four students*, built by the second week. Solutions will be available in *Campus Global* after they have been solved and discussed in the seminar.

REQUIRED BACKGROUND

Basic knowledge of the decision processes of households and firms, and their interactions in markets, is required for the course. This knowledge has been acquired during the first quarter in the course Introduction to Microeconomics.

COURSE COMPETENCES

GENERAL COMPETENCES

Instrumentals

1. Analytical capabilities (of economic problems with the help of simple economic models).
2. Problem solving (applying simple economic models)
3. Ability to search information independently (on macroeconomic variables - in specified data bases, in the media, etc.).
4. Skills to present and discuss in public.

Interpersonal

1. Social skills to interrelate in small groups during the seminars (participate in discussions, give opinion, listen to views of others, etc.).

Systemic

2. Understand and analyze the economic facts that appear in the press or other media.
3. Skills to carry on individual learning (reading course material, problem solving, search information in the press and other media, etc.)

SPECIFIC COMPETENCES

1. Identify macroeconomic problems.
2. Ability to understand and apply simple economic models.
3. Ability to relate the analysis of macroeconomic problems with the goals and instruments of economic policy.
4. Knowledge of the main macroeconomic variables and of the data sources where those variables can be found.

EVALUATION

Course evaluation will be based on the following criteria:

Grade from the final exam: 60 %

The final exam will take place at the end of the quarter and will last for two hours. The exam will cover all material discussed and lectured in class, the recommended readings for each Topic, the discussion and material from the seminars, and the problem sets that students have worked out during the quarter.

To pass the course the grade in the final exam has to be at least 35 points over a total possible of 100. If the grade in the final exam is below 35 points, the grade of the final exam will also be the grade of the course, and the results of the continuous evaluation will not be taken into account.

Grade from the continuous evaluation: 40 %

This part of the grade will be based on the evaluation of all activities that will take place during the quarter: problem sets, participation in seminars and partial exam. The activities that contribute to the grade are:

1. **Written solutions for problem sets, attendance and participation** in the seminars where problems sets will be solved. Problem sets must be solved in group and the students of each group will hand in *one copy* of the problem set solution with the names of the four students, obtaining those four the same grade in that part of the evaluation.

2. One **mid term exam** (February 11th)

Activity 1 will account for **25%** of the grade. Activity 2 will account for **15%** of the grade.

For **activity 1**, in each session one group (previously determined) will be in charge of correcting the activity, meanwhile other group (also determined previously) will be the supervisor of those corrections. The teacher will be the last supervisor. So the qualification (25%) for this part will be based on the following basis : 40% correction + 40% supervising + 20% (rest of problem sets quality). Consider that it is compulsory to hand in a minimum of 6 lists/ problem sets (out of the total 7)

You can find the seminar group you belong to in *Campus Global*.

1. Re-siting evaluation (*recuperación*)

For those who did not pass the subject at the end of second term, and have got a qualification $>$ or $=$ 35 out of 100 in the final exam¹, they are offered a second chance at the beginning of third term. Date to be determined.

1. If the grade in the final exam is below 35 points, the grade of the final exam will also be the grade of the definitive evaluation, and the results of the continuous evaluation will not be taken into account.

This evaluation will be a final exam, accounting for 75% of the qualification.
Continuous evaluation: 25%. Only item 1 of the continuous evaluation will be taken into account. The grade of the partial exam during the second term will not be taken into account.

Office Hours: Monday & Tuesday (11.00 – 11.30)

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REFERENCES

In parenthesis and bold the abbreviation that we will use in the course outline to specify the references that correspond to each Topic.

Main References

- Blanchard, O., Amighini, A. and Giavazzi, F., *Macroeconomics. A European Perspective*, Pearson Education Limited, 2010. **(Ben)**

Complementary References

- Mankiw, N. G., *Macroeconomics*, 6th edition, Worth Publishers, 2007.

COURSE OUTLINE

Topic 1. Introduction to Macroeconomics. Economic aggregates.

- 1.1 A look at the world economy *Ben Ch. 1*
- 1.2 Main economic aggregates: definitions and concepts *Ben Ch. 2 and pp 290-295*

Topic 2. The goods market *Ben Ch. 3*

Topic 3. Financial markets *Ben Ch. 4*

Topic 4. The IS-LM model *Ben Ch. 5*

Topic 5. The open economy *Ben Ch.6: 6.1, 6.2 and 6.3*

Topic 6. The labor market *Ben Ch. 7*

Topic 7. The aggregate supply and demand model *Ben Ch. 8*

Topic 8. The natural rate of unemployment and the Phillips curve *Ben Ch. 9*

Topic 9. Inflation, activity and nominal money growth *Ben Ch. 10*

Topic 10. Growth

- 10.1 Facts and measurement of growth *Ben Ch. 11*
- 10.2 Saving, capital accumulation and output *Ben Ch. 12*
- 10.3 Technological progress and growth *Ben Ch. 13*

TIME SCHEDULE

WEEK	THEORY LECTURES	SEMINARS	PROBLEM SETS Publication	PARTIAL EXAM
Week 1 – lecture 1	Course organization Topic 1.1			
Week 1 – lecture 2	Topic 1.2			
Week 2 – lecture 3	Topic 2		Problem set 1	
Week 2 – lecture 4	Topic 2-3			
Week 3 – lecture 5	Topic 3	SEMINAR 1 Hand in and solve problem set 1	Problem set 2	

Week 3 – lecture 6	Topic 4			
Week 4 – lecture 7	Topic 4	SEMINAR 2 Hand in and solve problem set 2	Problem set 3	
Week 4 – lecture 8	Topic 5			
Week 5 – lecture 9	Topic 6	SEMINAR 3 Hand in and solve problem set 3	Problem set 4	
Week 5 – lecture 10	Topic 6			

WEEK	THEORY LECTURES	SEMINARS	PROBLEM SETS Publication	PARTIAL EXAMS
Week 6 – exam	Partial Exam	SEMINAR 4 Hand in and solve problem set 4	Problem set 5	PARTIAL EXAM Topics 1 to 5
Week 6 – lecture 11	Topic 7			
Week 7 – lecture 12	Topic 7	SEMINAR 5 Hand in and solve problem set 5	Problem set 6	
Week 7 – lecture 13	Topic 8			
Week 8 – lecture 14	Topic 8	SEMINAR 6 Hand in and solve problem set 6		
Week 8 – lecture 15	Topic 9			

Week 9 – lecture 16	Topic 10.1	SEMINAR 7 Presentation by groups	Problem set 7	
Week 9 – lecture 17	Topic 10.2			
Week 10 – lecture 18	Topic 10.2		Hand in problem set 7 during the theory class. Solutions will be posted in campus global	
Week 10 – lecture 19	Topic 10.3			