

INTRODUCTION TO MACROECONOMICS

Academic year 2014-2015

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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 Pais 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. 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 data sources.

EVALUATION

Course evaluation will be based on the following criteria:

Grade from the final exam - 75 %

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 - 25 %

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

1. **Written solutions** for all **problem sets, attendance and participation** in the seminars where problems sets will be solved.

*Problem sets must be solved in groups of three students (exceptionally four). You must **hand in only one copy of the problem set solution per group** with the names of the three (exceptionally four) students, obtaining all the same grade in that part of the evaluation. Those groups built for PS 1 should be maintained along the term.*

2. **Seminar 7 - Content and presentation**

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

Re-sitting (recuperació) evaluation will be based on the following criteria:

1. Final exam: 75%.

Students who did not pass the course at the end of the second term have a second chance to pass the course by retaking the final exam at the beginning of the third term, at a time to be determined.

If the grade of the retake exam is at least 35 points over 100, the exam will count 75% of the grade, and the continuous evaluation will count 25% .

If the grade in the retake final exam is below 35 points, the grade of the course will be that of the retake exam, and the continuous evaluation will not be taken into account.

2. Continuous evaluation: 25%.

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, second edition, 2013. (**Ben**)

Note: For your information, this book has also been the main reference for Macroeconomics I (second year of the *grau*) for the last two years.

- Blanchard, O., Amighini, A. and Giavazzi, F., *Macroeconomía*, Pearson Education Limited, quinta edicion, 2013.

Complementary References

- Mankiw, N. G., *Macroeconomics*, 8th edition, Worth Publishers, 2013.

COURSE OUTLINE

Topic 1. Introduction to Macroeconomics. Economic aggregates.

- 1.1 A look at the world economy
- 1.2 Main economic aggregates: definitions and concepts

Topic 2. The goods market

Topic 3. Financial markets

Topic 4. The IS-LM model

Topic 5. The open economy

Topic 6. The labor market

Topic 7. The aggregate supply and demand model

Topic 8. The natural rate of unemployment and the Phillips curve

Topic 9. Inflation, activity and nominal money growth

Topic 10. Growth

- 10.1 Facts and measurement of growth
- 10.2 Saving, capital accumulation and output
- 10.3 Technological progress and growth

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