

Macroeconomics I (22104)

Year 2014-2015

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| Degree | ADE Grau | | Course: Second Term: First |
| Number of ECTS credits: 5 Hours of student's dedication: 125 | | | |
| Language of Instruction: English | | | |
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1. Presentation of the subject

Macroeconomics I is a fundamental course in the curriculum of ADE/ECO. The objective of the course is to allow students to familiarize with the methodology and the main results of macroeconomic research. The methods that were presented in Introduction to Macroeconomics will be extended and applied to the analysis of contemporary macroeconomic issues such as expectations, exchange rates, debt, inflation, recessions, monetary and fiscal policy.

2. Competences to be attained

GENERAL COMPETENCES

1. Understanding and interpreting correctly academic texts.
2. Ability to justify with consistent arguments your opinions.
3. Ability to use English fluently in all activities (reading, writing and speaking).
4. Social skills to work in groups (participate in discussions, give opinions, etc.)
5. Attitudes of self-imposed discipline and rigorousness in the organization and realization of academic work.
6. Ability to apply with flexibility and creativity the acquired knowledge
7. Reaching a level of knowledge sufficient for professional activities.
8. Knowledge of the different contexts of activity (macroeconomy, sector, firm, etc.).

SPECIFIC COMPETENCES

1. Working knowledge of the main macroeconomic aggregates and their relations.
2. Analytical and synthetic ability in the application of macroeconomic models.
3. Ability to relate the analysis of macroeconomic problems with the goals, instruments and constraints of economic policy.
4. Identify the issues involved in current macroeconomic problems and their international dimensions.

3. Contents

The course builds upon the material you learned in Intermediate Macroeconomics. The course consists of three parts. In the first part, we will extend the basic IS-LM model by introducing the role of expectations, and we will look at their effect on the economic activity and on economic policies. In the second part, we will consider the interaction between international trade and the domestic economy. In the third part, we will study episodes of major decline in economic activity and we will analyze the financial crisis started in 2008. We will conclude by exploring recent developments in the analysis and the design of monetary and fiscal policies.

In particular, the course will cover the following topics (in parenthesis the corresponding chapter numbers in the main textbook):

Part I. Expectations

- I.1 Expectations: the Basic Tools (Chapter 14)
- I.2 Financial Markets and Expectations (Chapter 15)
- I.3 Expectations, Consumption, and Investment (Chapter 16)
- I.4 Expectations, Output, and Policy (Chapter 17)

Part II. The Open Economy: Exchange rates and policy choice

- II.1 Output, the interest rate and the exchange rate (Chapter 18)
- II.2 Exchange Rate Regimes (Chapter 19)

Part III. Pathologies

- III.1 The crisis of 2007-2010 (Chapter 20)
- III.2 High Debt (Chapter 21)
- III.3 The Euro debt crisis (additional readings)
- III.4 High Inflation (Chapter 22)
- III.5 Monetary and Fiscal Policy Rules (Chapters 23-24)

4. Bibliography and Teaching Resources

Required Text:

O. Blanchard, A. Amighini and F. Giavazzi, *Macroeconomics: A European Perspective*
Pearson/Prentice Hall, 2010.

Additional references will be provided by the professors during the course. Teaching resources such as slides, exercises, etc. will be made available on Aula Global. It is recommended that students get into the habit of browsing the daily newspapers like *The Wall Street Journal* or *The Financial Times*, or the weekly magazine *The Economist*. This will provide some context for the course.

5. Evaluation

The evaluation is divided into 2 categories: (i) continuing evaluation activities (max. 100 points) and (ii) a final exam at the end of the quarter (max. 100 points).

The total score of the course will be determined taking the highest value between:

- the simple average ($50\% \times \text{score continuing evaluation} + 50\% \times \text{score final exam}$). This option is only available if the score in the final exam is above 40 / 100.
- the final exam ($100\% \times \text{score of final Exam}$)

5.1. Continuing evaluation activities (100 points):

During the quarter, there will be the following evaluation activities:

a) Weekly quizzes (15 points):

Quizzes (multiple choices tests) on the material covered in class will be posted on Aula Global on a weekly basis. Quizzes include random questions, to be answered in a limited amount of time. Students are allowed to take the quiz an unlimited number of times, and only the highest score will be recorded.

b) Problem sets (15 points):

Problem sets would require solving sample problems related to the material covered in class. The problem sets are *far more important* than their relative weight would indicate. They provide excellent opportunities to apply concepts from the lectures and the corresponding material is likely to appear in the exams.

Solutions can be written in groups of no more than 3 students, belonging to the same seminar group. Solutions must be typed, and uploaded the appropriate format through Aula Global by their due dates (only one solution per group, listing the names of the group member; it won't be possible to change the names after the deadline has passed). Under no circumstances solutions that do not comply with these requirements will be considered. Please note that each group should produce its own answers. Whenever a case of plagiarism is detected (using the TURNITIN software), it will be punished with a score of 0 in all the problem sets, for all the members of all the groups involved.

The grades on problem sets are awarded as follows:

- **Excellent (3).** This grade is given if at least 80% of the answers are correct, and the student shows a good amount of effort in trying to solve all the problems.
- **Sufficient (2).** This grade is given if at least 40% of the answers are correct, and the students show a good amount of effort in trying to solve all the problems.
- **Insufficient (1).** This grade is given in all other cases.

c) Active participation in seminars (15 points):

Active participation in seminars requires attending the seminars, and participating to the discussion with meaningful interventions (e.g. asking meaningful questions, answering questions from the professors, presenting your results in a clear, concise, a coherent way). The seminar activities include solving sample problems, discussing newspapers articles, and presenting the results of problem sets.

d) Midterm Exam (55 points):

During the seminar of Oct. 29th and 30st there will be a written examination on the material of part I of the course (see section 3 above). Students must take the midterm exam in the subgroup to which they are assigned.

5.2. Final examination (100 points)

The final exam will take place on December 16th, 11.30-13.30, and will cover the entire material of the course.

5.3. Make-up exam (Recuperació)

Students who took the final exam, but did not pass the course (getting a final grade of “suspens”) will have a second chance during one of the two Saturdays set in the academic calendar (February 7st or 14th 2015). The make-up exam will cover the entire material of the course, and will count for 100% of the grade. Students who already obtained a passing grade cannot take the make-up exam; and those who did not take the final exam in December will have to take the course again the following year. There will be no make-up exam in September 2015.

6. Methodology

The course will last for 10 weeks. The professor will teach 16 theory classes for the joint groups. In addition, there will be 6 seminars in smaller subgroups dedicated to deepening the understanding of the class material, to discuss solutions to sample problems, and implement real world applications of the main concepts studied in class.

7. Activities Planning

| Week | Topic | Textbook Material |
|---|---|-------------------------|
| 1 Mon 29-Sep Tue 30-Sep | Expectations: the basic tools | Ch. 14 |
| 2 Mon 6-Oct Tue 7-Oct | Financial Markets and Expectations | Ch. 15 |
| 3 Mon 13-Oct Tue 14-Oct Wed-Thu 15/16-Oct | Modern Theories of Consumption and Investment Seminar #1 | Ch. 16 |
| 4 Mon 20-Oct Tue 21-Oct | Expectations and Policy NO CLASS | Ch. 17 |
| 5 Mon 27-Oct Tue 28-Oct 29/30 Oct | Economic Policy in an open economy MIDTERM EXAM (Ch. 14 - 17) | Ch. 18 |
| 6 Mon 3-Nov Tue 4-Nov 5/6-Nov | NO CLASS NO CLASS Seminar #3 | Ch. 18 |
| 7 Mon 10-Nov Tue 11-Nov 12/13-Nov | Exchange rate regimes Seminar #4 | Ch. 19 |
| 8 Mon 17-Nov Tue 18-Nov 19/20-Nov | The crisis of 2008-201? Seminar #5 | Ch. 20, Notes |
| 9 Mon 24-Nov Tue 25-Nov 26/27-Nov | Sovereign Debt Crises High Inflation Seminar #6 | Notes Ch. 21, Ch. 22 |
| 10 Mon 2-Dec Tue 3-Dec | Monetary and Fiscal Policy Rules NO CLASS | Ch. 23-24 |

Final Exam: Tuesday December 16th, 11.30 – 13.30

Make-up Exam: either Feb 7 or Feb 14 (exact date TBA)