

Macroeconomics I (22104)

Year 2013-2014

Degree AD/E Grau

Course: Second **Term:** First

Number of ECTS credits: 5

Hours of student's dedication: 125

Language of Instruction: English

Professor: Davide Debortoli

Groups: 1, 2, 3 and 4

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Groups 101 and 102
Group 103
Group 201
Groups 202 and 203
Group 301
Groups 302 and 303
Groups 401, 402 and 403

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 and Economic Policies

- 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. International Trade: Exchange Rates and Policy Choices

- 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 Moodle / 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* at least once every two weeks. This will provide some context for the course.

5. Evaluation

The grade for the course will be determined according to the following scheme:

a) Problem sets and active participation in seminars (10 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 material in them is likely to appear in the exams. Solutions can be written in groups of no more than 3 students, and only one solution per group can be handed in. Solutions must be **handwritten** and submitted in class (typically during seminars), or scanned in .pdf format and submitted through Aula Global by their due dates. **Solutions sent by email are NOT allowed in any circumstance.** The grades on problem sets are awarded as follows:

- **A: Excellent.** This grade is given if at least 80% of the answers are correct, and the student show a good amount of effort in trying to solve all the problems.
- **B: Sufficient.** 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.
- **C: Insufficient.** This grade is given in all other cases.

Active participation requires asking meaningful questions, answering questions from the professors in a meaningful way, and in general participating to the discussion in the seminar class with meaningful interventions. Students must attend seminars in the subgroup to which they are assigned. Attending seminars is entirely voluntary, but strongly encouraged, as you will have the chance to be exposed to real-world applications of the theoretical concepts covered in the course.

b) Midterm Exam (30 points): During the seminar of Oct. 30th and 31st there will be a written examination on the material in part I of the course (see section 3 above). Students must take the midterm exam in the subgroup to which they are assigned.

c) Final examination (60 points): The final exam will take place during the final evaluation period (Dec. 09th – Dec. 20th, exact date TBA), and will cover only the material in part II and III of the course (see section 3 above).

Make-up of midterm exam

Students who did not take the midterm exam must answer additional questions during the final exam, covering part I of the course. The questions will be distributed at the end of the final exam, and time to answer questions will be provided accordingly. The final exam will then count 990% of the total grade. The same option is available to students who are not satisfied with their grade in the midterm exam. However, students handing in these additional questions will automatically renounce to the score obtained in the midterm exam (even if higher).

Make-up final exam

Students who are evaluated and do not pass the course (getting a final grade less than 5, i.e. “suspens”) will have a second chance through a **make-up exam** that will take place in the second term, in one of the two Saturdays set in the academic calendar (February 1st or 8th 2014, exact date TBA). The make-up exam will cover the entire material of the course. Note that only those who have participated and failed can take the make-exam: those who already have a passing grade cannot change it; and those who have not taken the first final exam will have to take the course again the following year. There will be no make-up exam in September.

6. Methodology

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

Coming to class and review sessions is not compulsory (but no credit for class participation will be given if you do not participate). However, the lectures will be more mathematical than the text, and examples related to the current economic conditions will be provided that do not appear in the textbook but are fair games for examination.

7. Activities Planning

Week			Topic	Textbook Material
1	Mon Tue	30-Sep 1-Oct	Expectations: the basic tools	Ch. 14
2	Mon Tue	7-Oct 8-Oct	Financial Markets and Expectations	Ch. 15
3	Mon Tue Wed-Thu	14-Oct 15-Oct 16/17-Oct	NO CLASS Modern Theories of Consumption and Investment Seminar #1	Ch. 16
4	Mon Tue	21-Oct 22-Oct	Expectations and Policy	Ch. 17
5	Mon Tue	28-Oct 29-Oct 30/31 Oct	NO CLASS NO CLASS Seminar #2 - MIDTERM EXAM (Ch. 14 - 17)	
6	Mon Tue	4-Nov 5-Nov 6/7-Nov	Economic Policy in an open economy Seminar #3	Ch. 18
7	Mon Tue	11-Nov 12-Nov 13/14-Nov	Exchange rate regimes Seminar #4	Ch. 19
8	Mon Tue	18-Nov 19-Nov 20/21-Nov	The crisis of 2008-201? Seminar #5	Ch. 20, Notes
9	Mon Tue	25-Nov 26-Nov 27/28-Nov	Sovereign Debt Crises High Inflation Seminar #6	Notes Ch. 21, Ch. 22
10	Mon Tue	2-Dec 3-Dec	Monetary and Fiscal Policy Rules NO CLASS	Ch. 23-24

Final Exam Period: Dec. 09 / Dec. 20 (exact date TBA)

Make-up Exam: either Feb 1 or Feb 8 (exact date TBA)