



Macroeconomía (inglés) / Macroeconomics

"Troncal", Annual Course, 12 credits

*Licenciatura en Administración y Dirección de Empresas
Licenciatura Conjunta LADE-Derecho
3º Curso*

Syllabus

LADE 3 (Group M1)
LD+LADE 3 (Group M1)
2006/2007

**DEPARTAMENT: Economía, Métodos
Cuantitativos e Historia Económica**

ACADEMIC AREA: Análisis Económico

Syllabus

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1 Course Overview

This is a canonical upper-intermediate course on standard Macroeconomics. It aims at delivering a clear and solid understanding of the forces that drive the performance of economies (in both the short and long runs), as well as grasping the consequences of those forces on individuals, firms and the society as a whole. A special emphasis is given on providing students with the necessary skills to interpret real world economic phenomena. This approach to teaching implies avoiding the *memorising method* and, conversely, focuses on helping students in developing a systematic way of thinking. We intend to make our students acquire a good understanding of the global economy and the way economists think about it. However, rather than simply providing a comprehensive set of theories and empirical regularities, we try to help students work out *how to analyze* any economic issue by themselves. This is achieved by (1) the progressive development of a flexible, unified and formal model, strongly motivated in empirical observations; and (2) by putting it to the test in the interpretation of real world economic news.

2 Organization of the course

Course credits: 12.

Time of class: Tuesdays, 09:00-11:00, Wednesday, 10:00 - 12:00 (1st term)
Tuesdays, 12:00-14:00, Thursdays, 10:00 - 12:00 (2nd term)

Room: Edificio 8, Aula 1A

Course website: http://www.upo.es/econ/sanchez_martin/

Instructor: Alfonso R. Sánchez Martín (arsanmar@upo.es).

Office: 3-2-09 (Building 3, 2nd floor, number 9)

Office hours: Tuesday 11.30-13.00 Wednesday 12.30-13.30 (1st term)
TBA (2nd term)

3 Grades

There are two alternative routes leading to a successful completion of the course:

R1 Termwise, or “*por Parciales*”. The course is divided in two terms (*parciales*), each counting with separate grades and examinations (to be held on Feb 8th and June 18th respectively). An exam provides for 80% of each term’s *parcial* grade. The remaining 20% can be gained from the successful completion and of a set of assignments. This requires an active participation of the student in the solution of the assignments during specially dedicated classes. The homeworks will be made available through the website well in advanced of their due date (i.e. the day that assignments shall be solved during classes).

Students who fail to pass one or both terms (*parciales*) will have a second opportunity by sitting for the final exam on July 4th or on September 7th. In the latter case, the full grade will be gained in the exam.

R2 Directly sitting the final exam (July 4th or September 7th). In this case, 100% of the note will be gained in the exam.

Class attendance is not compulsory (with the exception of the coursework-solving sessions for those who follow route R1), but it is strongly recommended. For those who follow route R2 (as described above), it is certainly possible to prepare the course without attending any classes. Note that class presentations will closely follow the layout of the textbook and will be made available through the website. A good command on the class assignments is, in any case, a must (even for those following route R2).

4 Textbook and readings

The outline of the course closely follows the layout of our **textbook**:

MACROECONOMICS (4th edition, 2006) by Oliver Blanchard (Prentice Hall, Madrid)

Additional recommended readings are:

- Burda, M. and C. Wyplosz (2001), *Macroeconomics, A European Text*, 3rd Edition, Oxford University Press.
- Mankiw N. G, *Macroeconomics* 6th Edition, 2006
- Miles D and A. Scott, *Macroeconomics* 2nd Edition, Willey
- Romer P. *Advanced Macroeconomics*, 2nd Edition, McGraw-Hill

5 Outline of the course

1. FIRST TERM

(a) **Introduction**

[Chapters 1 & 2] What's macroeconomics? What type of questions does it try to answer? Basic terminology, including a brief on National Accounting. Business Cycles vs secular growth. The Short, Medium and Long Run.

(b) **The Short Run**

[Chapters 3, 4 & 5] The Demand Side of the economy with constant prices. Equilibrium in the Goods and Financial markets: the IS-LM analysis.

(c) **The Medium Run**

(i) [Chapters 6, 7 & 8] Price determination in the short run: the AS-AD model. Equilibrium in the Labor Market: the natural rate of unemployment. Medium run equilibrium in all markets with adaptive expectations. Medium run effects of public policies. Supply Shocks. Phillips Curve. Wage indexation.

(ii) Chapter 9. Economies with sustained inflation: a reformulation of the core model. Money growth and inflation.

(d) **The Long Run**

(i) [Chapters 10] Stylized facts of Economic growth

(ii) [Chapters 11 & 12] Capital accumulation and technological progress: a theory of growth.

(iii) [Chapter 13] Technological progress and unemployment in the short and in the long run.

2. SECOND TERM

(a) **Expectations**

- (i) [Chapter 9 revisited and chapter 14] Nominal vs real interest rates and its inclusion in the IS-LM model. Money growth, inflation and interest rates (in economies with sustain inflation).
- (ii) [Chapters 14 revisited and chapters 15, 16 & 17] Valuation of financial and human wealth. Extended Consumption and Investment functions. Fully extended IS-LM model. Public policy in the extended model.

(b) **Open Economy**

- (i) [Chapters 18] Foreign Markets: terminology and economics. Exchange rates. Balance of Payment.
- (ii) [Chapters 19 & 20] Short-run equilibrium of the Open Economy. Flexible and Fixed exchange rates.
- (iii) [Chapter 21] Medium-run equilibrium of the Open Economy. Exchange rate regimes.

(c) **Pathologies**

- (i) [Chapter 22] Depressions and Slumps
- (ii) [Chapter 23] Hyperinflations

(d) **Policy in the real world**

- (i) [Chapter 24] Expectations and policy
- (ii) [Chapter 25] Monetary Policy, Optimal inflation rate.
- (iii) [Chapter 26] The Government Budget Constraint