Euncet Business School

centro adscrito a:

UNIVERSITAT POLITÈCNICA DE CATALUNYA BARCELONATECH

COURSE OUTLINE
Macroeconomics
2021-22

GENERAL INFORMATION

Course:	Macroeconomics
Code:	801104 (ADE)
School year:	2021/2022
Degree:	Grado en Administración y Dirección de Empresas
ECTS credits:	6
Prerequisites:	It is recommended that students have passed Introduction to Economics
Year and semester:	Third year, second semester
Last revision:	January 2022
Course coordinator:	

1.COURSE DESCRIPTION

The main objective of this course is learning the basic macroeconomic model to be used in the analysis of the evolution of an economic system. You will learn the basic macroeconomic tools to analyze the performance of the economy in the long run and to understand the main determinants of economic growth. The macroeconomic model also allows analyzing the economy in the short run: the interactions among macroeconomic variables, the effects of economic shocks in the economy and the effects of the macroeconomic policies implemented to achieve economic growth and price stability, and to smooth the consequences of the business cycle.

The learning methodology will rely on both the conceptual and graphical development of the basic macroeconomic models, combined with the analysis of aggregate data from different countries.

2. COMPETENCES

On successful completion of this course, you will be able to:

- Interpret macroeconomic statistics.
- Demonstrate how economic growth is achieved and how the price level is determined using principles of Aggregate supply and demand.
- Understand the basic macroeconomic foundations and apply the macroeconomic tools to analyze real economies.
- Analyze and understand different ways of measuring economic growth (GDP) and inflation
- Identify the effects of the business cycle (economic recessions and expansions) on macroeconomic aggregates (inflation, production, unemployment).
- Identify the forces of long-run economic growth and the economic policies that promote a country's sustained growth.
- Demonstrate knowledge of the demand policies (fiscal and monetary policies) and their effects on the macroeconomic aggregates in the short run and in the long run.
- Understand what causes unemployment and how the government can reduce high levels of unemployment.
- Interpret the Keynesian and Classical views on government intervention.
- Analyze how exchange rates are determined and how they affect the current account.
- Understand the impact of supply side policies on the governmental objectives.

3. CONTENT

UNIT 1: Introduction to Macroeconomics

1.1 Macroeconomics: The Big Picture

1.1.1 The Nature of Macroeconomics

1.1.2 The Business Cycle

1.1.3 Long-Run Economic Growth

1.1.4 Inflation and Deflation

1.1.5 International Imbalances

1.2 GDP and the CPI: Tracking the Macroeconomy

1.2.1 The National Accounts

1.2.2 Real GDP: A Measure of Aggregate Output

1.2.3 Price Indexes and the Aggregate Price Level

1.3 Unemployment and Inflation

1.3.1 The Unemployment Rate

1.3.2 The Natural Rate of Unemployment

1.3.3 Inflation and Deflation

Learning outcomes

- Understand the objective of Macroeconomics and the different scope of Macroeconomics and Microeconomics.
- Demonstrate knowledge of the main macroeconomic aggregates.
- Interpret and analyze macroeconomic statistics.
- Demonstrate the significance of the unemployment rate for the economy.
- Understand the relationship between the unemployment rate and economic growth
- Interpret the economic costs of inflations and define how inflations and deflations create winners and losers

UNIT 2: Long-Run Economic Growth

2.1 Long-run economic growth

2.1.1 Comparing Economics Across Time and Space

2.1.2 The Sources of Long-Run Growth

2.1.3 Why Growth Rates Differ?

2.1.4 Success, Disappointment and Failure

2.1.5 Is World Growth Sustainable?

2.2 Saving, Investment Spending, and the Financial System

2.2.1 Matching up Savings and Investments Spending

2.2.2 The Financial System

2.2.3 Financial Fluctuations

Learning outcomes

- Interpret differences in income across countries.
- Demonstrate knowledge of the factors that promote economic growth in the long run.
- Account the contribution of each factor to the growth of countries.
- Demonstrate knowledge of the business cycle. Identify the recessions and booms of the Spanish economy.
- Demonstrate knowledge of the volatility of the macroeconomic aggregates over the business cycle.
- Interpret the relationship between savings and investment spending
- Demonstrate the reasons why asset market fluctuations can be a source of macroeconomic instability.

UNIT 3: Economic Fluctuations

3.1 Income and Expenditure

3.1.1 The multiplier

3.1.2 Consumer Spending

3.1.3 Investment Spending

3.1.4 The Income-Expenditure Model

3.2 Aggregate Demand and Aggregate Supply

3.2.1 Aggregate Demand

3.2.2 Aggregate Supply

3.2.3 The AS-AD model

3.2.4 Macroeconomic Policy

Learning outcomes

- Demonstrate the multiplier process, which shows how initial changes in spending can lead to further changes in spending.
- Interpret the aggregate consumption function, which shows how current disposable

income affects consumer spending.

- Analyze the determinants of investment spending.
- Understand the aggregate demand and the factors that affect the aggregate demand of an economy.
- Understand the aggregate supply and its different behavior in the short run and in the long run.
- Analyze the macroeconomic equilibrium of an economy.
- Identify the demand and the supply shocks that affect any economy and their consequences on the macroeconomic aggregates in short run and in long run.

UNIT 4: Fiscal policy

4.1 Fiscal policy: definition and instruments

4.2 Spending multiplier

4.3 The government budget balance

4.4 Long-Run Implications of Fiscal Policy

Learning outcomes

- Demonstrate knowledge of the different types of fiscal policies that the government can implement.
- Calculate and understand the spending multiplier and its implications on the effectiveness of the fiscal policy.
- Identify the effects of the fiscal policy and its success to smooth the business cycle.
- Analyze the consequences of the fiscal policy on the public balance, both in the short run and in the long run.

UNIT 5: Monetary policy

5.1 The meaning of money

5.2 The monetary role of banks

5.3 The Central bank

5.4 Determining the money supply

5.5 The demand for money

5.6 Money and interest Rates

5.7 Monetary Policy and Aggregate Demand

Learning outcomes

- Understand the meaning of money and learn the monetary aggregates used to measure money supply.
- Demonstrate knowledge of the money creation process.
- Know the roles of the Central bank and the monetary policy instruments.
- Interpret the money demand and supply and the factors that determine the equilibrium in the money market.
- Identify the effects of the monetary policy and its success to smooth the business cycle.

UNIT 6: Labor Market and Inflation

6.1 Money and Inflation

6.2 Moderate Inflation and Disinflation

6.3 Inflation and Unemployment in the Long-Run

6.4 Deflation

Learning outcomes

- Understand why efforts to collect an inflation tax by printing money can led to high rates of inflations
- Interpret the evolution of the Spanish labor market before and after the Great Recession and compare it with the labor market of other economies.
- Demonstrate knowledge of the costs and benefits of inflation.
- Analyze the Phillips curve and understand the short-run trade-off between inflation and unemployment.
- Understand why policy makers prefer a low but positive inflation rate to deflation.

UNIT 7: Crises and Consequences

7.1 Banking: Benefits and Dangers

7.2 Banking Crises and Financial Panics

7.3 The Consequences of Banking Crises

7.4 The 2008 Crisis and Its Aftermath

7.5 Regulation in the Wake of the Crisis

Learning outcomes

- Understand the difference between depository banks and shadow banks
- Understand what happens during a financial panic and a banking crisis.
- Interpret why the effects of a financial panic and a banking crisis on the economy are so severe and long lasting
- Analyze how the new regulatory framework seeks to avoid another crisis.

UNIT 8: Macroeconomic Schools of Thought

8.1 Classical

8.2 keynesian

8.3 Monetarism

8.4 New Classical

Learning outcomes

- Understand why classical macroeconomic theory was inadequate for helping solve the problems posed by the Great Depression.
- Understand how Keynes and the experience of the Great Depression helped to legitimize macroeconomic policy activism.
- Interpret monetarism and explain why monetarists believe there are limits to the use
- of discretionary monetary policy.
- Demonstrate the challenges that led to a revision of Keynesian ideas and the emergence
- of the new classical macroeconomics.
- Analyze why the Great Moderation consensus was challenged by the 2008 financial
- crisis and discuss the ensuing debate among economists regarding the best use of monetary and fiscal policy during difficult economic times.

UNIT 9: The Open Economy

9.1 Capital Flows and the Balance of Payments

9.2 The Role of the Exchange Rate

9.3 Exchange Rate Policy

Learning outcomes

- Understand the meaning of the balance of payments accounts and international capital flows.
- Demonstrate how exchange rates are determined in the foreign exchange market.
- Interpret the real exchange rate and its impact on the current account.
- Analyze the pros and cons of fixed versus flexible exchange rate systems.
- Understand macroeconomic policy under a floating exchange rate system.

4. LEARNING METHODOLOGY

The learning methodology is based in:

a) Lectures: the lecturer introduces and explains the concepts and the graphical analysis corresponding to each topic. It is highly advisable to read in advance the recommended chapters of the textbook (see the planning of the course available in the Campus Euncet online classroom).

b) Problems: in-class activities dedicated to problem solving. The purpose is to reinforce the learning of theoretical concepts. Students will solve one problem set per unit.

All teaching material will be available in the Campus Euncet online classroom of the course.

5. GRADING

The final mark (FM) of the course is computed as follows:
FM = Mark from final exam x 60% + Mark from continuous assessment x 40%

- The final exam has two attempts.
- To compute the FM the student must obtain at least 40 points out of 100 in the final

exam.

- The student passes the course if the FM is equal to or higher than 50 points out of 100.
- The schedule of the activities included in the continuous assessment will be available in the Campus Euncet online classroom of the course and will be explained in the first session of the semester.

6. REFERENCES

6.1. BASIC

. KRUGMAN, P., and WELLS, R., “Economics”, Worth Publisher, 4th edition, 2015.

6.2. RECOMMENDED

i. CASE, FAIR, OSTER, “Principle of Economics”, Pearson, 10th edition,

ii. MANKIW, “Macroeconomics”, Worth Publisher, 7th edition.

iii. PARKIN, “Macroeconomic”, University of Ontario, 10th edition.

The instructor may recommend additional topic-specific readings or materials along the semester.