

UNIVERSIDAD DE ALCALA
Facultad de Ciencias Económicas y Empresariales
Departamento de Fundamentos de Economía e Historia Económica

Macroeconomics

2007-2008 Second Term

Instructor: *Carlos Mario Gómez G.*

The course aims to provide students with the basic analytical tools to understand the basic macroeconomic problems of modern economies. The main focus of the course is on developing the macroeconomic theory at an intermediate level. After looking at some basic facts we will then study short and medium term economic models in closed and open economies in order to understand the way output is determined in equilibrium and how the economy adjusts to policy shocks. Furthermore we will focus on understanding inflation, unemployment and the role of fiscal and monetary policy.

Course Outline:

1. Introduction:

- 1.1. Macroeconomics and Macroeconomic Problems..
- 1.2. Macroeconomic Variables.
- 1.3. National Accounts and the Basic Economic Identities.

Blanchard. Chapters 1 & 2. Dornbusch and Fisher Chapter 1 and 2.

The Short Term:

2. The Goods Market.

- 2.1 The demand for goods: Consumption, Investment and Public Expenditure.
- 2.2 The Equilibrium Output.
- 2.3 The Fiscal Policy.
- 2.4 The Keynesian Multiplier.

Blanchard. Chapter 3. Dornbusch and Fisher Chapters 9 and 10.

3. Financial Markets.

- 3.1. The demand for Money.
- 3.2. The Money Supply and the Equilibrium Interest Rate.
- 3.3. The Monetary Policy.

Blanchard. Chapter 4. Dornbusch and Fisher. Chapter 10.

4. Goods and Financial Markets: The IS-LM Model.

- 4.1. The Goods Market and the IS Relation.
- 4.2. The Financial Market and the LM Relation.
- 4.3. The IS-LM Model..

Blanchard. Chapters 5 and 7. Dornbusch and Fisher. Chapter 10.

5. Fiscal and monetary Policy in the IS-LM Model

- 5.1. Monetary Policy.
- 5.2. Fiscal policy.
- 5.3. Combined Fiscal and Monetary Policy.

Blanchard. Chapter 5. Dornbusch and Fisher. Chapter 11.

The Medium Term.

6.. The Labor Market.

- 6.1. Labor Demand and Supply.
- 6.2. Wage Determination.
- 6.3. Price Determination.

6.4. The Natural Rate of Unemployment.

Blanchard. Chapter 6. Dornbusch and Fisher. Chapter 6

7. The AS – AD Model.

7.1. Aggregate Supply.

7.2. Aggregate Demand.

7.2. Equilibrium in the Short Term and the Medium Term..

7.3. The Effects of a Monetary Expansion.

7.4. A Decrease in the Budget Deficit.

7.5. Supply Shocks.

Blanchard Chapter 7. Dornbusch and Fisher Chapter 6

Ampliaciones:

8. Openness in Goods and Financial Markets.

8.1. Openness in the Goods Markets.

8.2. Openness in Financial Markets.

8.4. The IS in an Open Economy.

8.5. Equilibrium Output and the Trade Balance.

8.6. Financial Markets Equilibrium.

8.7. The IS-LM in an Open Economy..

Blanchard. Chapters 18 and 19. Dornbusch and Fisher Chapter 12.

9. The natural Rate of Unemployment and the Phillips Curve

9.1. Inflation, Expected Inflation and Unemployment.

9.2. The Phillips Curve.

9.3. Inflation, Deflation and the Phillips Curve

Blanchard Chapter 8. Dornbusch and Fisher. Chapter 6

10. Inflation, Economic Activity and Nominal Money Growth.

10.1. Output, Unemployment and Inflation.

10.2. The Effect of Money Growth.

10.3. Disinflation..

Blanchard. Chapter 9. Dornbusch and Fisher Chapters 7,8.

Assessment

There will be marked questions and assignments during the course and students will be encouraged to participate in discussions of case studies presented by the instructor. There will be two or three partial exams during the term and a final exam on all the contents of the course for students who have failed them. Class attendance is mandatory.

Basic references:

Blanchard, O.(2006): *Macroeconomics*, 4th Edición. Pearson Prentice Hall.

Dornbusch, R. y S. Fischer (2004): *Macroeconomics*, 9th edition, McGraw-Hill.

Mankiw, N.G.(2001): *Macroeconomics*, Antoni Bosch. 4ª Edición

Belzunegui, B. ; Cabrerizo, J. Padilla, R. y Valero, I. (2007). *Macroeconomía. Problemas y Ejercicios Resueltos*. Pearson. Prentice Hall. 2ª edición.

Other References:

Abel, A. y Bernanke, B. (2001) *Macroeconomics*. 4th Edition. Addison Wesley Longman.

Anisi, D.(1984): *Modelos económicos. Una introducción a la macroeconomía postkeynesiana*. Alianza Universidad Textos.

Argandoña, A y J.A. García-Durán (1991): *Ejercicios de Macroeconomía*, McGraw-Hill,

Argandoña, A y J.A. García-Durán (1992): *Macroeconomía Española*. Hechos e ideas, McGraw-Hill,

- Barreiro, F., Labeaga, J.M. y Mochón, F. (1999): *Macroeconomía intermedia*, McGraw-Hill.
- Burda, M. Y Wyplosz, C. (1994): *Macroeconomics. A European Text*. Oxford University Press. 4th Edition
- Barro, R.J. (2007), *Macroeconomics: A Modern Approach*,.
- Froyen, R.T (2008): *Macroeconomics.. Teory and Policies*. 9th edition. Prentice Hall.
- Gámez, C. y Mochón, F.(1995): *Macroeconomía*, McGraw-Hill.
- Gámez, C. ; Mochón, F. Et. Al. (1995): *Cuestiones y problemas de Macroeconomía*, McGraw-Hill.
- Sachs J. D. Y Larraín, F. (2002): *Macroeconomía en la economía global*. 2ª Edición. Pearson.