

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

**Macroeconomics**

**2008-2009 Second Term**

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The course aims to provide the student with the basic analytical tools to understand the basic macroeconomic problems of modern economies. The main focus of the course is in developing the macroeconomic theory at an intermediate level. After looking at some basic stylized facts we proceed to study the short and medium term economic models in closed and open economies in order to understand the way output is determined in equilibrium and the way the economic adjust to policy shocks. Additionally we focused on the understanding of inflation and 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.*

#### **Basic Bibliography:**

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

#### **Other useful handbooks:**

- Abel, A. y Bernanke, B. (2004) *Macroeconomics*. 4th Edition. Addison Wesley.  
 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): *Macroeconomía. Un texto europeo*. 1ª edición, Ariel.  
 Barro, R.J. y Grilli, V. (1997), *Macroeconomía, Teoría y Política*, McGraw-Hill.  
 Froyen, R.T (1997): *Macroeconomía. Teorías y políticas*, 5ª edición, 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.