

**Economics**  
**Macroeconomics I**  
Codi: 25034  
FALL-WINTER 03/04

**Instructor:** Jenny De Freitas, Edifici B, Despatx B3-112-D, Telèfon 93581.1813, email: jfreitas@idea.uab.es.

**Time and Location:** Monday and Wednesday, 10:30-11:45.

**Office Hours:** Monday 17:00 - 18:00  
Wednesday 17:00 - 18:00

**Textbooks:**

Dornbusch, Rudiger; Stanley Fisher and Richard Startz, 2000, *Macroeconomics*, 8<sup>th</sup> edition. McGraw-Hill.

Mankiw, Gregory, 2000, *Macroeconomics*, 5<sup>th</sup> edition. Antoni Bosch.

## Description of the Course

This is a classical introductory course on Macroeconomics. The starting point is to understand what macroeconomics is and sketch how economists model macroeconomics, studying its methodology. Because in macroeconomics the final purpose of doing theory is to do economic policy macroeconomists need *indicators* of the economic performance of a specific country, chapter 2 describes the main variables that allows us to evaluate and compare different economies as, GDP, inflation and unemployment. We study in this chapter their meaning, their evolution through time, and their interaction. In chapter 3 by studying the circular flow we start to analyze economic activity, what determines production, the flow of goods and money and the different markets taking place in an economy as the market of goods and the market of factors. The circular flow introduces us to a very important concept in economics the *equilibrium*. The National Accounts give us a detailed information about the activity of different sectors in the economy. To study the production in the very long run Chapter 5 develops the Solow model. In chapters 3 and 4 we study the economy in the long-run while in chapter 5 we introduce a model to study the economy in the short-run: the AS-AD model.

What we pretend the students will learn? The students should be familiar with the main macroeconomic's indicators as GDP, inflation and unemployment their meaning and their evolution in industrialized economies. The student should be able to diagnose an economy (like a doctor) from their main variables values and other information from their National Accounts. The students should also get some economic intuition of what would be the consequences of some macroeconomic policies that intended to alter the main economic indicators.

A good student should choose one of the textbooks and read the corresponding chapters, preferably before the class. She/he should do all the assignments and attend regularly the theoretical and practical sessions. In order to improve her/his understanding of macroeconomic issues, the motivated student should read more frequently the journals' economic section, she/he should read time to time *The Economist*, could get data from the world bank ([www.worldbank.org](http://www.worldbank.org)), Spanish data from [www.ine.es](http://www.ine.es) and read Informe Económico (in Spanish) an easy reading text from BBVA ([www.bbva.com/TLWA/esp/servicio-estudios/informe\\_economico.html](http://www.bbva.com/TLWA/esp/servicio-estudios/informe_economico.html)) and comment with other the *state of the world*.

## Syllabus

### Chapter I: Introduction.

1. What Macroeconomics is?
2. Some key questions addressed by Macroeconomics.
3. Macroeconomics and Methodology.

Schools of thought.

Material: Dornbusch & Fisher, chapter 1. Mankiw, chapter 1.

## Chapter II: Macroeconomics' indicators and some relationships.

1. Introduction
2. Gross National Product (GDP)
3. Unemployment rate.
4. CPI and inflation.
5. (others)
6. Some relations.

Okun's law.

Phillips curve.

Material: Dornbush & Fischer, chapter 6: Phillips curve, chapter 7 (7.1-7.6): inflation-unemployment-Okun's law; Mankiw, chapter 2, chapter 6.

## Chapter III: The Circular Flow

1. The Quesnay's Tableau.
2. Closed Economy.

Production, revenue and expenditure.

3. Extension to an open economy.
4. National Accounts.
5. Balance of Payments.

Material: Dornbush & Fischer, chapter 2. Mankiw, chapter 2; chapter 3 (3.3-3.5, appendix): The closed economy; chapter 4 (4.6-4.8). Mankiw, chapter 5: The open economy.

## Chapter IV: The Very Long-run.

1. **Economic Growth.**

The production function.

The Solow model.

Material: Dornbush-Fischer chapter 3; Mankiw, chapter 7.

## Chapter IV: The Short Run

1. Aggregate supply and demand.

Material: Dornbush-Fischer chapter 5; Mankiw, chapter 9.

Note: Remark that the chapters ordering change between editions.

**Grading:** There will be a midterm exam and a final. They will count toward the grades as follows:

Partial or Midterm exam	1
Final	9
<i>Total</i>	<i>10</i>

**Final Exam:** February 13.

July, 8 (Final exam counts 10).