

Introduction to Macroeconomics 2015-16

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Office hours: Tuesday, 8-9 & 11-13; Thursday, 8-11

Classroom sessions: A2.1, Tues. 9-11 & Thurs. 11-13

Course web page:

[http://gandalf.fcee.urv.es/professors/
AntonioQuesada/Curs1516/MacroM51516.html](http://gandalf.fcee.urv.es/professors/AntonioQuesada/Curs1516/MacroM51516.html)

Macroeconomics

- Macroeconomics is the economics of economies.
- Macroeconomics studies economies when taken as a whole and, in particular, investigates how an economy works.
- As distinguished from microeconomics, macroeconomic analysis minimizes what is taken as given.
- The central concerns of macroeconomics are
 - macroeconomic fluctuations (Great Recession)
 - long-term economic growth (Great Divergence).

The magnificent seven

- This course focuses on macroeconomic fluctuations and, specifically, proposes explanations of the behaviour of the seven following variables.
 - GDP – measure of economic activity
 - inflation rate – measure of economic stress
 - interest rate – basic price in the financial sector
 - exchange rate – foreign price of home currency
 - unemployment rate – performance indicator
 - government budget deficit (or government debt)
 - foreign deficit – trade balance in deficit

Main theoretical lessons

- This course relies on three insights to explain how an economy operates and generates outcomes.
 - Feedback processes account for the persistence of certain phenomena through multiplier effects: economic growth, unemployment, inflation...
 - Optimizing behaviour by agents of the economy justifies the simultaneous attainment by several markets of stable states (e.g., arbitrage).
 - Limits to what a government can do, control or achieve in an economy (policies must take into account how people react to them).

Two irreconcilable views

- View 1 holds that
 - markets work “efficiently”, so market economies are naturally stable;
 - economies are ruled by their supply side;
 - real and monetary sides eventually do not interact.
- View 2 holds that
 - market economies need to be stabilized by policy;
 - the demand side is always fundamental as it is the distribution of income;
 - real and monetary sides always interact (economies create money endogenously).

Bibliography

- No textbook covers adequately the material of the course. Lecture notes and problem sets available on the web page.
- Textbooks present (orthodox) macroeconomics as a discipline with definite answers. For instance:
 - B Bernanke, R Frank: [Principles of Macroeconomics](#)
 - C Jones: [Macroeconomics](#), International Student Ed.
- This is not the case: there is a heterodox approach.
 - SM Kohn: [Reintroducing Macroeconomics](#)

Marks

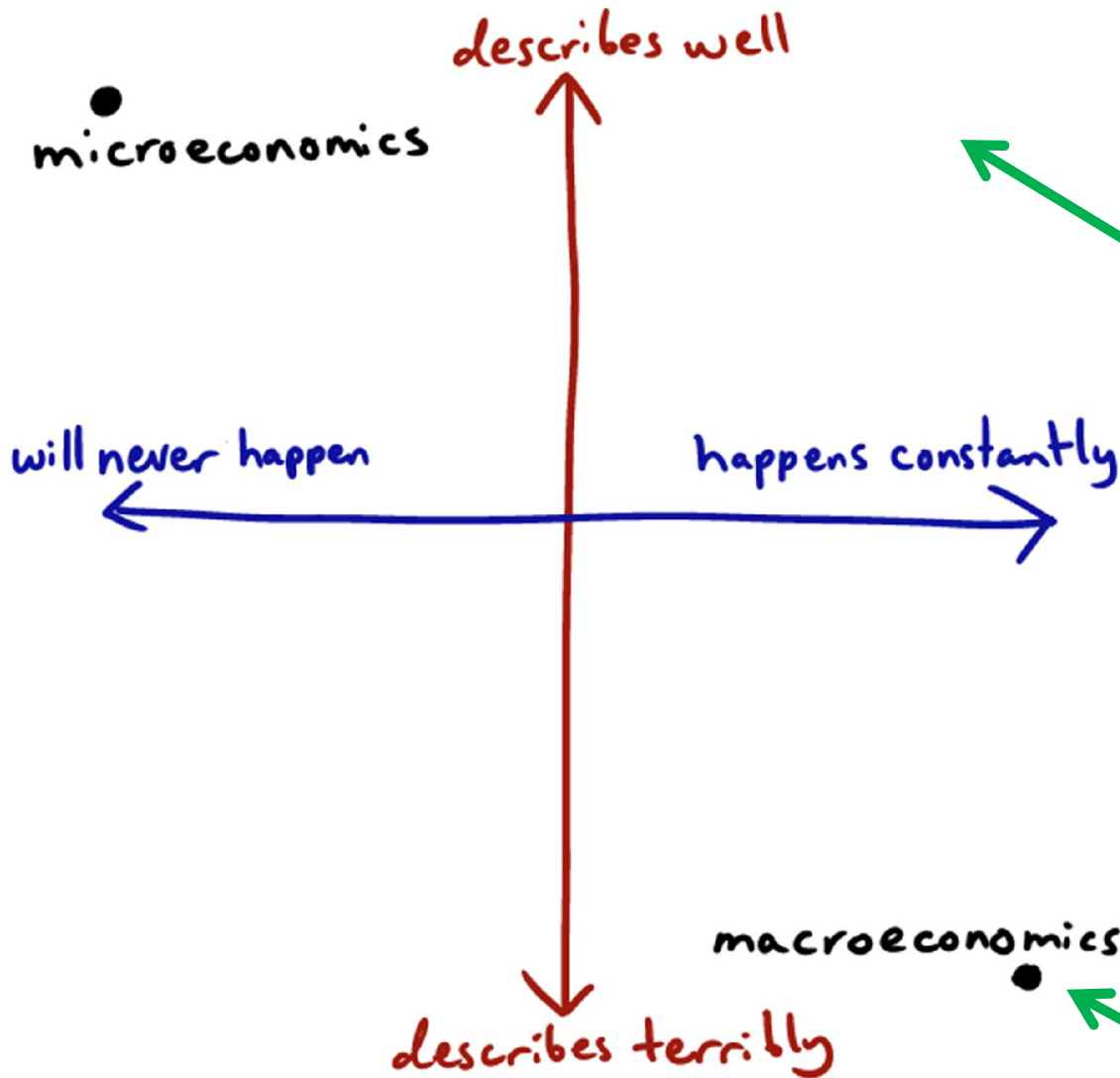
- 1st examination period
 - 40% of the final mark obtained from multiple choice exams and one mid-term exam. Answers to selected exercises in problem sets should be delivered before closing dates to be announced.
 - 20% from an end-of-term exam on all the topics to be taken the last day of the course (19 May 2016)
 - 40% from the official final exam (3 June 2016, 12:00)
- 2nd examination period
 - 100% from the final exam (23 June 2016, 12:00)

Warnings

- Spelling and grammatical mistakes will be taken into account when correcting written exams.
- More than 10 serious grammatical mistakes will result in a zero mark in the corresponding exam.
- Calculators and similar computing devices are not allowed when taking exams.
- Answers in pencil are invalid. Use ballpoint pens.
- It is necessary to obtain at least 5 in the final exam.

KNOW YOUR BRANCHES OF ECONOMICS:

- HOW WELL THEORY DESCRIBES SCENARIOS IT CONSIDERS
- HOW LIKELY THOSE SCENARIOS ARE TO OCCUR IN REALITY



Macro textbooks want you to believe that you are over here...

... but actually you are here.