# Macroeconomics

## Prof. Olimpia Fontana

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The Macroeconomics course introduces students to the analysis of aggregate economic variables through the use of simple yet rigorous analytical schemes.

The analysis initially focuses on the basic notions of macroeconomics, including a brief history of the evolution of economic thought.

The course addresses the relationships between the goods, financial and labour markets, also from an open economy perspective, and introduces an analysis of the elements of economic policy.

 The course ends with an in-depth study of the European macroeconomic context, with particular reference to the theory behind the creation of the euro and the dynamics that occurred following the financial crisis.

***INTENDED LEARNING OUTCOMES***

At the end of the course, students will be able to:

* Interpret and analyse the fundamental economic accounts of an economy.
* Use basic macroeconomic models relating to the real and monetary economy.
* Assess the importance of international economic and financial relations.
* Evaluate the interventions of governments and central banks in the economy.
* Analyse the European economic and institutional context.
* Evaluate the effects of monetary and fiscal policy choices in Europe.

***COURSE CONTENT***

The course is divided into two parts, one for each semester.

1. **In the first part (first semester) the course addresses the following topics:**
* Introduction

- Brief notes on the evolution of macroeconomics (ch. 24).

- Aspects of national accounting (ch. 2).

* The economy in the short term

- The goods market (ch. 3)

- The financial markets (ch. 4)

- The money multiplier (material provided)

- Goods markets and financial markets: the IS-LM model (ch. 5)

- Fiscal policy and monetary policy in the IS-LM model (ch. 5)

- Extension of the IS-LM model with financial intermediaries (ch. 6)

- The financial crisis of 2008 (ch. 6)

* The economy in the medium term

- The labour market (ch. 7)

- The Phillips curve, the natural rate of unemployment and inflation (ch. 8)

- The IS-LM-PC model (ch. 9)

1. **In the second part (second semester) the course addresses the following topics:**
* In the long-term

- Growth: the main facts (ch. 10)

- Savings, capital accumulation and production (ch. 11)

- Technological progress and growth (ch. 12)

* Economy open to trade

- Opening of the goods market and the financial market (ch. 17)

- The goods market in an open economy (ch. 18)

- IS-LM in an open economy: the Mundell-Fleming model (ch. 19)

* European macroeconomic context

- European monetary integration: institutions and historical notes

- Optimum Currency Area Theory (ch. 1, 3 and 4)

- Fiscal policy in Europe (ch. 6 and 11)

- The Sovereign Debt Crisis

***READING LIST***

**1. For the first part:**

Textbook:

- Blanchard O., Amighini A. e Giavazzi F. (2021), *Macroeconomia. Una prospettiva europea*, Il Mulino

Supplementary and in-depth readings:

- Saraceno F. (2018), *La scienza inutile*, Luiss University Press (supplementing the lecture on “Brief notes on the evolution of macroeconomics”)

- Dornbusch R., Fischer S., Startz R., Canullo G., Pettenati P. (2020), *Macroeconomia*, Mac Grew Hill (supplementing the lectures on the IS-LM model)

**2. For the second part:**

Textbooks:

- Blanchard O., Amighini A. and Giavazzi F. (2021), *Macroeconomia. Una prospettiva europea*, Il Mulino (excluding the part on “European macroeconomic context”)

- De Grauwe P. (2020), Economia dell’Unione monetaria, Il Mulino (for the part on “European macroeconomic context”, only some parts of the specified chapters).

Supplementary and in-depth readings:

- Spalaore E. (2013), *What is European integration really about? A political guide for economists*, Journal of Economic Perspectives, vol. 27, no. 3, Summer, pp. 125-44 (available on Blackboard, for the part on “Historical and institutional notes”)

- AA.VV. (2015), Rebooting the Eurozone: Step 1 – agreeing a crisis narrative, CEPR Policy Insight no. 85 (available on Blackboard, for the part on “The sovereign debt crisis”)

Available on Blackboard: slides on the topics covered in class, as well as any additional supplementary materials; examples of exam texts.

***TEACHING METHOD***

The course includes 60 hours of lessons, divided over two semesters. The lessons will be supplemented with exercises for a total duration of 12 hours.

***ASSESSMENT METHOD AND CRITERIA***

The final assessment of the course consists in assigning a mark out of thirty. The exam consists of a written test. It is possible to take an interim test at the end of the first part. Students who pass the interim test can complete the exam by sitting a second written test on the second part of the programme. Each test accounts for 50%.

Both the interim and the complete tests consist of theoretical-methodological questions and exercises (the single score of each test is included in the exam text).

The exam is aimed at assessing the students’ acquisition of the basic notions of macroeconomics and the operating principles of macroeconomic policies including the use of a correct macroeconomics lexicon and terminology.

***NOTES AND PREREQUISITES***

Attendance is not compulsory but it is strongly recommended.

Information on office hours available on the teacher's personal page at <http://docenti.unicatt.it/>.