# Macroeconomics

## Professor Maurizio Luigi Baussola

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

The course introduces the students to the analysis of economic variables through the use of simple macroeconomic models. The analysis is initially focused on basic macroeconomic notions, with particular reference to the equilibrium in the goods and the money markets. The joint analysis of the goods market and the financial and labour markets represents the second important step of the course and is followed by the open economy analysis. The course concludes with an in-depth analysis of the determinants of economic growth over the long run and a critical analysis of the European institutional framework, specifically regarding monetary and fiscal policy at the time of the COVID-19 pandemic. The recent surge of inflation and its policy issues characterize the course's final part.

***LEARNING OUTCOMES***

At the end of the course, the student will know how to:

* Interpret and analyse basic macroeconomic data.
* Use basic macroeconomic models.
* Evaluate the importance of international financial and economic relationships.
* Evaluate the steps that governments and central banks take to intervene in the economy.
* Analyse Europe's economic and institutional frameworks.
* Evaluate the effects of monetary and fiscal policy in Europe

***COURSE CONTENT***

1. **MACROECONOMICS AS a problem-solving tool**

* Overview of changes in economic thought.
* The Great Depression and the Keynesian revolution.
* The construction of macroeconomic models.
* Equilibrium and disequilibrium in macroeconomic models.
* The interaction between the goods and the financial markets.
* The current crisis: how it has affected macroeconomics

1. **THE REPRESENTATION OF AN ECONOMIC SYSTEM**

* The goods market
* Aggregate demand and income multiplier.
* The financial market.
* Demand for money.
* Money supply.
* Money multiplier.
* The Central Bank and the monetary policy targets
* The policy interest rate

1. **THE GOODS AND MONEY MARKETS**

* Equilibrium and disequilibrium in the goods and money markets.
* Dynamic adjustment.

1. **THE OPEN ECONOMY**

* The market for goods and services and the financial market in an open economy.
* Exchange rates.
* The IS curve.
* The trade balance.
* Dynamic aspects: the J curve.
* The LM curve and the equilibrium in the financial market.
* Simultaneous equilibrium in the goods and financial markets

1. **THE LABOUR MARKET**

* Equilibrium and disequilibrium: unemployment.
* The determinants of prices and wages.
* The Phillips curve.

1. **THE MEDIUM RUN ADJUSTMENT**

* The 3-equation model: IS-LM-PC
* Fiscal and monetary policy
* Price shocks

1. **THE LONG-RUN**

* Economic growth.
* Stylised facts.
* Formal models.
* Endogenous growth: technological innovation.
* The determinants of technical progress.

1. **EUROPE'S MACROECONOMIC FRAMEWORK**

* The European Union.
* The Maastricht Treaty.
* The Stability and Growth Pact and the Fiscal Compact.
* Fiscal consolidation and economic growth: the controversy on the effects of

austerity policies

* European Union's prospects after Brexit
* Monetary and fiscal policy in the Covid-19 Pandemic
* The new inflation scenario: threats and comparison with the 1970s and 1980s

***READING LIST***

Textbook:

O. Blanchard, *Macroeconomics,* latest edition, Pearson. The textbook represents a general reference, as more specific material will be available for each topic.

***TEACHING METHOD***

The course will be taught through 60 hours of lectures supplemented by tutorials and assignments. Students will also be assigned a case study whose grade will be counted in the final mark.

***ASSESSMENT METHOD AND CRITERIA***

The final grade will be a weighted average of the grade received on the assignment (20%) and the regularly scheduled examination (80%). This latter is a written test of 5 equally weighed questions (6 points each); allocated time 2h. Three questions deal with theoretical and methodological issues related to macroeconomic modelling; two questions deal with exercises. In both cases, the ability to apply the fundamental principles of macroeconomics together with the ability to respond with clarity and appropriate language will be considered in the evaluation.

***NOTES AND PREREQUISITES***

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