

## Syllabus and timeline, Macroeconomics, second quarter

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We will have two weekly lectures (each lasting one and a half hours) during 14 weeks. The first is a theory lecture (“clase magistral”); the second is a practice session (“clase práctica”) where we will be mostly solving problems. The mandatory textbook is Gregory Mankiw's "Macroeconomics" (8<sup>th</sup> edition, Worth Publishers). The timeline below could be adjusted once we know the holiday dates (if we end up missing a class or several classes for that reason).

- 1. Classical Theory
  1. National income (Mankiw, chapter 3) *2 weeks*
  2. Money, the monetary system and inflation (Mankiw, chapters 4 and 5) *1 week*
  3. Unemployment (Mankiw, chapter 7) *1 week*
- 2. Economic growth (Mankiw, chapters 8, 9.1 and 9.3) *1 & 1/2 weeks*
- 3. Business cycles  
The IS-LM model of a closed economy (Mankiw, chapters 10, 11 and 12). *2 y 1/2 weeks*
- 4. Open economies:
  1. Long run (Mankiw, chapter. 6) *1 week*
  2. Short run (Mankiw, chapter 13) *2 weeks*
- 5. Policy Debates  
Public debt and stabilization policies (Mankiw, chapters 18 and 19). *1 week*

**Grading.** The final grade in the "convocatoria ordinaria" will be calculated as follows. The continuous assessment amounts to 40% of the grade, and will be based on one midterm that will take place in the theory class (see the timeline below), several short quizzes solved in class, and a homework assignment. Specifically, the weight assigned to the midterm will be 20%, that assigned to the quizzes will be 10% and that assigned to the homework assignment will be also 10%. In addition, the grade that instructors will assign to the quizzes will depend on the students' class attendance. The remaining of the grade (60%) will be determined by the final exam.

In the case of the students who take the final exam in the "convocatoria extraordinaria", the final grade will be the maximum of (1) the average grade of the continuous assessment's grade and the final exam's grade (calculated as explained above) and (2) the final exam's grade.

<b>SUBJECT: MACROECONOMICS</b>		
<b>GRADO:</b> Law and Business Administration, and Law and Economics	<b>2<sup>ND</sup> YEAR</b>	<b>WINTER SEMESTER</b>

<b>TIMELINE</b>								
<b>WEEK</b>	<b>CLASS AND DAY</b>	<b>LECTURE/SESSION DESCRIPTION</b>	<b>GRUPO</b>			<b>TASKS OF THE STUDENTS</b>		
			<b>LARGE</b>	<b>SMALL</b>		<b>DESCRIPCIÓN</b>	<b>CLASS HOURS</b>	<b>STUDY HOURS</b>
1	1	The economy in the long run: the real economy 1. Long-run determinants of production; factors of production 2. Factor pricing and marginal productivity 3. Factor shares of income. 4. The Cobb-Douglas production function.  [Mankiw, Chapter 3]	X			1. Review of the circular flow of income and GDP accounting (the expenditure and income sides) 2. Reading: Mankiw, chapters 1 and 2.	1,5	5
1	2	The economy in the long run: the real economy 1. Relation between marginal product and factor prices 2. The Cobb-Douglas production and the relationship between marginal factor prices and marginal products. Exercises.  [Mankiw, Chapter 3]		X		Readings and/or Assignments	1,5	
2	3	The economy in the long run: the real economy 1. Determinants of aggregate demand 2. Equilibrium in the goods market. 3. Equilibrium in the market for loanable funds.  [Mankiw, Chapter 3]	X			Readings and/or Assignments	1,5	5
2	4	The economy in the long run: the real economy. Factors affecting the market for loanable funds. Exercises  [Mankiw, Chapter 3]		X		Readings and/or Assignments	1,5	

3	5	<p>The economy in the long run: the monetary economy.</p> <ol style="list-style-type: none"> <li>1. Money and inflation.</li> <li>2. The Quantity Theory of Money</li> <li>3. The demand for money in the long run.</li> <li>4. Real and Nominal interest rates. The Fisher effect.</li> <li>5. The classical dicotomy.</li> </ol> <p>[Mankiw, Chapters 4 and 5]</p>	X			<ol style="list-style-type: none"> <li>1. Review of the main monetary aggregates.</li> <li>2. Welfare costs of inflation; hyperinflation.</li> <li>3. Seigniorage.</li> </ol> <p>Readings and/or Assignments.</p>	1,5	5
3	6	Exercises		X		Readings and/or Assignments	1,5	
4	7	<p>Unemployment</p> <p>[Mankiw, Chapter 7]</p>	X			Readings and/or Assignments	1,5	5
4	8	Exercises.		X		Readings and/or Assignments	1,5	
5	9	<p>The economy in the long run: the sources of economic growth</p> <ol style="list-style-type: none"> <li>1. The basic Solow model</li> <li>2. Capital accumulation</li> <li>3. The effects of changes in the savings rate.</li> <li>4. Sources of economic growth I: population growth.</li> </ol> <p>[Mankiw, Chapter 8]</p>	X			Readings and/or Assignments	1,5	5
5	10	<p>The economy in the long run: the sources of economic Growth II: technological change.</p> <p>Exercises.</p> <p>[Mankiw, Chapter 9.1]</p>		X		Readings and/or Assignments	1,5	
6	11	<p>The economy in the long run. The Golden rule and the optimal savings rate.</p> <p>Exercises.</p> <p>[Mankiw, Chapters 8, 9.1 and 9.3]</p>	X			<p>Reading: Policies to promote growth [Mankiw 9.3]</p> <p>Readings and/or Assignments</p>	1,5	5

6	12	<p>The economy in the short run. Introduction to business cycles.</p> <ol style="list-style-type: none"> <li>1. Cyclical components of GDP.</li> <li>2. Unemployment and the business cycle: Okun's Law.</li> <li>3. The economy in the short run vs. the long run</li> <li>4. The aggregate supply and aggregate demand model: an introduction.</li> </ol> <p>[Mankiw, Chapter 10]</p>		X		Readings and/or Assignments	1,5	
7	13	<p>The economy in the short run. Aggregate demand; building the IS-LM model.</p> <ol style="list-style-type: none"> <li>1. The market for goods and services and the IS curve. The keynesian cross and the fiscal policy multipliers.</li> <li>2. The market for loanable funds and the LM curve. La teoría de la preferencia por la liquidez.</li> <li>3. Short run equilibrium.</li> </ol> <p>[Mankiw, Chapter 11]</p>		X		Readings and/or Assignments	1,5	4
7	14	<p>The economy in the short run. Aggregate demand. Applying the IS-LM model.</p> <ol style="list-style-type: none"> <li>1. The short run effects of fiscal policy.</li> <li>2. The short run effects of monetary policy.</li> </ol> <p>Exercises. Case study: the short and long run effect of the monetary contraction of the 70s in the US.</p> <p>[Mankiw, Chapter 12]</p>		X		Readings and/or Assignments	1,5	
8	15	<p>The economy in the short run. Aggregate demand. Applying the IS-LM model.</p> <ol style="list-style-type: none"> <li>1. Exogenous shocks in the IS-LM model.</li> <li>2. Derivation of the aggregate demand curve.</li> <li>3. From the short to the long run: changes in aggregate demand and price adjustments.</li> </ol> <p>Case study: the Great Depression. [Mankiw, Chapter 12]</p>		X		Readings and/or Assignments	1,5	5

8	16	Exercises. Case study: the 2008 financial crises and the worldwide economic recession.		X		Readings and/or Assignments	1,5	
9	17	MIDTERM	X			Readings and/or Assignments	1,5	5
9	18	Exercises.		X		Readings and/or Assignments	1,5	
10	19	Open economies in the long run: <ol style="list-style-type: none"> <li>1. The basic model of a small open economy.</li> <li>2. Real and nominal exchange rates.</li> <li>3. The real exchange rate and net exports.</li> <li>4. Real exchange rate determination in the long run.</li> <li>5. Purchasing power parity.</li> </ol> [Mankiw, Chapter 6]	X			Readings and/or Assignments	1,5	5
10	20	Open economies in the long run: <ol style="list-style-type: none"> <li>6. The effects of economic policy on net exports and the real exchange rate.</li> <li>7. Data on net exports and exchange rates.</li> </ol> [Mankiw, Chapter 6]		X		Readings and/or Assignments	1,5	
11	21	Open economies in the short run: <ol style="list-style-type: none"> <li>1. The Mundell-Fleming model of a small open economy.</li> <li>2. Exchange rate regimes: fixed vs. floating exchange rates.</li> <li>3. The effects of economic policy depending on the exchange rate regime.</li> <li>4. Pros and cons of different exchange rate regimes.</li> </ol> [Mankiw, Chapter 13]	X			Reading: The Impossible Trinity. Other readings and/or Assignments	1,5	5
11	22	Exercises.		X		Readings and/or Assignments	1,5	

1 2	23	Open economies in the short run: 1. Deriving the aggregate demand curve in a small open economy. 2. International differences in real interest rates. 3. Monetary unions. 4. Large open economies--a more complex model.  [Mankiw, Chapter 13]	X			Reading: Case studies (Mankiw, Chapter 13.4): -The Mexican Peso Crisis 1994-95. -The Southeast Asian crisis 1997-98. -The Chinese Currency Controversy  Other readings and/or Assignments	1,5	5
1 2	24	Exercises.		X		Readings and/or Assignments	1,5	
1 3	25	Policy debates: public debt 1. Traditional view 2. Ricardian equivalence  [Mankiw, Chapter 19]	X			Readings and/or Assignments	1,5	5
1 3	26	Exercises.		X		Readings and/or Assignments	1,5	
1 4	27	Policy debates: stabilization policy. 1. Active vs. Pasive policies. The "Lucas critique". 2. Time inconsistency; rules vs. discretionary monetary policy. Case study: monetary policy rules.  [Mankiw, Chapter 18]	X			Readings and/or Assignments	1,5	4
1 4	28	Exercises and resolution of doubts (for final exam's preparation).		X		Readings and/or Assignments	1,5	
<b>SUBTOTAL</b>							<b>42</b>	<b>+ 68 = 110</b>
15		Study/review time: to be assigned						10
16- 18		Exam preparation and Exam					3	27
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