

## 30611 - Macro-economics II

### Información del Plan Docente

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| <b>Academic Year</b>   | 2016/17  |
| <b>Academic center</b> | 109 - Facultad de Economía y Empresa                               |
| <b>Degree</b>          | 432 - Joint Law - Business Administration and Management Programme |
| <b>ECTS</b>            | 6.0  |
| <b>Course</b>          | 3  |
| <b>Period</b>          | First semester   |
| <b>Subject Type</b>    | Compulsory   |
| <b>Module</b>          | ---  |

### 1. Basic info

#### 1.1. Recommendations to take this course

As the subject title indicates, the syllabus of Macroeconomics II is based on that of Macroeconomics I. Hence, having studied Macroeconomics I previously is recommendable in order to gain the maximum benefit from this subject. A good grasp of the concepts and procedures studied in Microeconomics I and the analytical tools in Mathematics I and II is also recommended.

#### 1.2. Activities and key dates for the course

Activities and key dates will be explained in class and posted on the web page of the subject when the academic term starts. The dates of the final exams can be consulted on the web pages of the Faculty

### 2. Initiation

#### 2.1. Learning outcomes that define the subject

The student, in order to pass the course, will have to show her/his competence in the following skills:

To pass this subject, students must show a sufficient level of knowledge of the fundamental interrelationships between short, mid, and long-term phenomena, as well as the distinctive features of how an economy open to the world functions. This knowledge will be verified via a diagnosis of the problems emerging from specific situations in a country or region and the student's judgement of the best economic policy alternatives to solve them.

Students who pass this subject will be able to:

- Distinguish between the short, mid, and long-term aggregate dynamics of economies: agents, flows, assets, and relevant prices in each case. To be specific, to point out the motors which guarantee positive economic growth rates.
- Interrelate the short, mid and long-term dynamics with the appropriate mechanisms of how markets work.
- Identify the influence of the flexibility or rigidity of markets - especially of the labour market - on the dynamic behaviour of economies.

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- d) Identify short-term behaviour as a phenomenon of economic cycles fluctuating around a long-term tendency and be able to identify its origin.
- e) Identify the specific features of the behaviour of the main markets and economic policy tools within open economies. To be specific, the exchange rate and capital mobility systems, as well as the opportunities and limits that open economies represent.
- f) Propose mid and long-term economic policy diagnoses and measures in strongly globalized dynamic macroeconomic contexts.

### 2.2.Introduction

Brief presentation of the course

Macroeconomics II extends the vision, introduced in the second part of Macroeconomics I, on how the economy works in two aspects.

In the first block, we extend the time frame of our analyses with the aim of studying specific questions and macroeconomic phenomena in a mid and long-term context. These questions are studied in a framework of dynamic reasoning. Firstly, a model is formulated with the objective of analyzing the phenomenon of inflation and its relationship with other macroeconomic variables. Afterwards, long-term income growth is studied, formulating a model in which many questions related to the determinants of economic growth will be dealt with (the Solow model). Finally, the phenomenon of economic cycles is studied, providing a vision which integrates the short, mid, and long-term cycles.

In the second block we shall look at the problems which arise when economies are opened to the world. Firstly, we shall study how currency markets operate and how exchange rates are decided on in different systems. Secondly, we shall study the aggregate behaviour of open economies within the framework of the Mundell-Fleming model. The effectiveness of fiscal and monetary policies, the sustainability of certain exterior imbalances and the role of politics in the exchange rate will be studied.

### 3.Context and competences

#### 3.1.Goals

The expected results of the course respond to the following general aims

The general objectives of these studies include "*graduates must know the connection of the normal development of all these functional areas with the general objectives of the productive unit, and of these objectives with the global context of the economy...*". Macroeconomics II is aimed at defining and modelling fundamental aspects of this global context of the economy.

Among the specific goals, the subject deals with the acquisition of knowledge and skills over a series of aspects - the first of which is "*the nature of the company and its relationship with the immediate and "near immediate" environment* ." Macroeconomics deals with the characterization of this environment; to be specific, with the aims laid out in annex 1.d): "*the explanation of the aggregate production, of the effect of the quantity of money, inflation, unemployment and economic growth. The role of economic policy tools*", and in 1.f), which includes "*the national and international economic reality, the importance of different productive sectors, of the public sector, of economic institutions and their evolution* ."

#### 3.2.Context and meaning of the subject in the degree

As this subject is in the second year of the first cycle of the study programme, it will apply knowledge already acquired in

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other basic and compulsory subjects such as Mathematics I and Mathematics II (basic lineal algebra, differential calculus, optimization), Microeconomics I (basic theoretical principles of consumption, production, and market functioning), Macroeconomics I and Economic History. The subject will also be complemented with subjects from areas of Microeconomics and statistics.

Likewise, a good level at Macroeconomics II will provide students with a suitable context for following applied subjects such as Econometrics, Strategic Management, Management of Financial Risks, Econometric Applications in Businesses, or Quantitative Methods for Firms.

The relations between this subject and others in the degree can be seen in Graph 1.

### 3.3.Competences

After completing the course, the student will be competent in the following skills:

Specific skills

- To be able to assess the situation and foreseeable evolution of firms and organizations, make decisions and extract relevant knowledge.
- To issue advisory reports on specific situations of markets, sectors, organizations, firms and functional areas.
- To understand and apply professional criteria and scientific rigour to solve economic, business and organizational problems.

Transversal skills :

- Capacity to solve problems.
- Capacity to analyze and synthesize.
- Capacity to apply their knowledge in practical situations.

### 3.4.Importance of learning outcomes

The subject matter and its expected results respond to the need to prepare students in the field of Macroeconomics for the development of their professional career. Macroeconomics II also lays the foundations to acquire higher knowledge in subjects such as labour, international or monetary economics or innovation, and economic growth, etc.

### 4.Evaluation

The student will prove that he/she has achieved the expected learning results by means of the following assessment tasks:

Continuous assessment testing which evaluates the acquisition of macroeconomic knowledge based on part of the subject programme.

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A final exam assessing the acquisition of knowledge based on the overall subject programme.

### Assessment Criteria

**1.-** Continuous assessment. This will be carried out via three tests made up of multiple-choice questions and/or the resolution of practical-theoretical exercises associated with part of the subject. This testing will be carried out within class-time, spread homogeneously over the course. The student will be considered to have passed the subject in this way if the average of the three tests (marked out of 10) is equal to or over 5, and they have not obtained a mark below 3 in any of the three tests.

**2.-** General overall assessment: students who do not choose the continuous assessment option, or do not pass the subject via continuous assessment, or wish to improve their mark, will be able to sit the general exam. Their final mark will be the best one they achieve in either of the options. The general exam is a final exam based on a group of practical or theoretical questions.

Students will be able to pass the subject with the maximum mark they obtain under either system. If a student decides to use both systems, their final mark will be that which is more favourable for the student.

Continuous assessment marks will be made public by the respective professors a week before the final exam.

The second sitting of the assessment exam will be carried out in a similar way to the final exam mentioned above.

## 5. Activities and resources

### 5.1. General methodological presentation

The learning process that has been designed for this course is based on the following activities:

**1. Participative master classes.** The professor will explain the basic contents of the subject. Students should complement these explanations with the recommended bibliography.

**2. Practical classes.** Students will solve practical exercises under the supervision of the professor. The groups will be split for these classes so as to facilitate the students' participation.

### 5.2. Learning activities

The programme offered to the students to help them achieve the learning results includes the following activities :

*Theoretical classes* : 1.2 credits.

Methodology: Class attendance and participative solving of problems.

*Practical classes*: 1.2 credits.

Methodology: Class attendance, problem solving and case studies applying specific technical tools.

*Tutorials and seminars*: 0.6 credits.

Methodology: Tutorials and complementary activities.

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*Individual work* : 3 credits.

Methodology: Exercise solving. Using ICT. Preparing work projects and exams.

### **Subject programme**

Part one: **Mid and long-term economics**

**Chapter 1:** Inflation and unemployment. Mid-term and economic cycles

1. Economies as time goes by
2. The Phillips Curve
3. Mid-Term and Natural Unemployment rate
4. Dynamic Supply and Dynamic Demand
5. Rational Expectations

**Chapter 2:** Long-term growth. The Solow model.

1. The facts of Growth
2. The Solow model without technical change
3. Sources of growth
4. Growth Accounting

Part two: **Open economy**

**Chapter 3:** Currency markets and exchange rates

1. Nominal and Real Exchange Rates
2. Supply and Demand for foreign currency
3. Fixed and Flexible exchange rate systems
4. Equilibrium in the foreign currency market: the BP function

**Chapter 4:** Open economy model. Mundell-Fleming

1. Goods Markets and Financial Markets: fixed exchange rate
2. Foreign currency markets and policy
3. Interventions
4. Fiscal, Monetary and Exchange Rates Policies
5. Flexible Exchange rates: Fiscal and Monetary Policies

### **5.3.Program**

### **5.4.Planning and scheduling**

Calendar of actual sessions and presentation of works

The calendar for in-class teaching sessions will be published on the webpages of the faculty. The order of the different activities throughout the course will be explained in class by the professor at the start of term and published on the subject web page. The distribution of hours of in-class learning (theoretical and practical) for the different parts of the subject is reflected in Graph 2.

*Graph 2. Macroeconomics planning in the ADE*

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| <b>subject</b> | <b>Hours: theory</b> | <b>Hours: practical</b> | <b>Total</b> |
|----------------|----------------------|-------------------------|--------------|
| <b>1</b>       | 10                   | 10                      | 20           |
| <b>2</b>       | 5                    | 5                       | 10           |
| <b>3</b>       | 5                    | 5                       | 10           |
| <b>4</b>       | 10                   | 10                      | 20           |
| <b>Total</b>   | 30                   | 30                      | <b>60</b>    |

**5.5. Bibliography and recommended resources**