

Academic Year/course: 2021/22

## 61341 - Employment, Credit and Prices in Macroeconomic Perspective

### Syllabus Information

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**Academic Year:** 2021/22

**Subject:** 61341 - Employment, Credit and Prices in Macroeconomic Perspective

**Faculty / School:** 109 - Facultad de Economía y Empresa

**Degree:** 525 - Master's in Economics

**ECTS:** 3.0

**Year:** 1

**Semester:** Second semester

**Subject Type:** Optional

**Module:**

## 1. General information

### 1.1. Aims of the course

The subject and its expected results respond to the following approaches and objectives. It is aimed at students knowing in depth the nature of the frictions generated by cycles and knowing how to assess the difference between the real world and the one that would happen with flexible markets. They are told that a choice cannot be made between frictions or no frictions, but rather that it is necessary to recognize that these frictions exist, know their consequences and find ways to correct the most negative ones with the corresponding treatment. Among the most important consequences are those that are not limited to the short term, but extend their consequences to the long term. These are the most interesting to know in order to correctly diagnose a certain situation in a specific market or in the general equilibrium of an economy.

### 1.2. Context and importance of this course in the degree

Since cycles are an intrinsic phenomenon to market economies, it is important to know the factors that mainly cause the fluctuations of greater amplitude, which are the three types of frictions and rigidities that are exposed in the subject: those that affect the labor market, those of the credit market and those involving the setting of prices and wages. The contents of the program broaden and deepen the macroeconomic knowledge acquired in the degree and complement the microeconomic ones, detailing specific aspects of markets with a very particular behavior that have broad macroeconomic repercussions.

### 1.3. Recommendations to take this course

The course is self-contained, but knowledge of calculus, microeconomics, macroeconomics, and statistics-econometrics will be very useful.

## 2. Learning goals

### 2.1. Competences

Upon passing the subject, the student will be more competent to:

1. Understand the origin of wage rigidity and how it originates equilibrium unemployment.
2. Identify how certain institutions (unions) or phenomena (asymmetric information about worker productivity) are important in labor market frictions.
3. Assess the importance of the dynamics of vacancies in explaining unemployment in the short and long term.
4. Locate the reasons why credit activity plays a special role in aggregate cyclical behavior and know the possible prospects for integrating such activity into macroeconomic models.
5. Differentiate the macroeconomic consequences derived from the different perspectives from which the phenomenon of banks activity can be considered.
6. Describe how the phenomena of staggering of prices and wages are produced and the different ways of representing it.
7. Determine the short-term and long-term consequences of wage and price staggering.
8. Integrate one or more of the frictions considered in non-stationary dynamic models of general equilibrium.

## 2.2. Learning goals

Short-term macroeconomic behavior is highly conditioned by the rigidity or existence of friction in certain markets. These rigidities and frictions are grouped in the three markets in which they are most important: the goods market, the labor market and the credit market. These rigidities are at the origin of the cycles, but they can also have long-term consequences, where appropriate. The course is aimed at describing the short and long-term consequences of rigidities in the markets and the way in which their most negative consequences could be alleviated.

## 2.3. Importance of learning goals

The content of the subject is useful to achieve:

- Knowledge of the reasons why certain markets predominantly adjust in quantities rather than in prices.
- Knowledge of the economic alternatives that can favor price adjustments and reduce frictions that hinder market flexibility.
- Knowledge about three types of friction that are behind economic fluctuations and that can help to understand at any time which of them is most important to improve the situation. To pass this subject, the student must demonstrate the following: - Who knows the phenomena behind price rigidity and friction in the goods, labor and credit markets.
- That it is capable of explaining the consequences that rigidity and friction have in those markets in the short term, as well as those derived for the entire economy.
- That he can warn when there will also be long-term consequences according to the circumstances and clearly describe how they are realized.
- That policy measures can be found to avoid the most negative aspects of rigidities.

## 3. Assessment (1st and 2nd call)

### 3.1. Assessment tasks (description of tasks, marking system and assessment criteria)

The student must demonstrate that they have achieved the expected learning outcomes through the following assessment activities

Assessment system	Minimum weight	Maximum weight
Work done, its presentation and participation in classes	0%	50%
Final exam	50%	100%

In accordance with the provisions in the UZ Evaluation Norms Regulation, there will be the possibility of a global evaluation test.

Note: It is planned that the evaluation will be carried in person but if health circumstances require it, it will be carried out partly

or fully online. It should be noted that in any online assessment task the student performance may be recorded, following

the regulations described in:  
[https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia\\_reducida.pdf?\\_](https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia_reducida.pdf?_)

## 4. Methodology, learning tasks, syllabus and resources

### 4.1. Methodological overview

The learning process that has been designed for this subject is based on the following aspects.

Combination of theoretical presentation by the teacher with the active participation of the student in the different topics under study.

The student will have to prepare readings, problems or assignments proposed by the teacher for some classes.

In the learning process, work and individual effort of the student is necessary in practical exercises that will have to be solved periodically.

Classes are scheduled to be face-to-face. However, if necessary for health reasons, classes may be taught blended or online.

### 4.2. Learning tasks

The program offered to the student to help him achieve the expected results includes the following activities:

Training activity	No. Hours	% Presence
Attendance to theoretical classes	20	100%
Preparation of work and independent study of the student	45	-----
Presentation and defense of the work carried out	10	100%

### 4.3. Syllabus

The course will address the following topics:

#### **Topic 1. Presentation and introduction**

- 1.1. Content of the course
- 1.2. The context of the macroeconomic problems to be tackled

#### **Topic 2. Rigidities in the labor market**

- 2.1. Efficiency wages
- 2.1. Unions, insiders- outsiders, wages and employment
- 2.3. Matching function, vacants and unemployment in the short and in the long-run

#### **Topic 3. Financial frictions in the credit market**

- 3.1. The importance of the credit activity in the macroeconomic evolution: credit channel and endogenous money
- 3.2. Asymmetric information
- 3.3. Costly state verification
- 3.4. Costly enforcement of contracts
- 3.5. Credit Rationing and collaterals
- 3.6. Financial intermediation model

#### **Topic 4. Staggered prices and wages**

- 4.1. Imperfect competition
- 4.2. Staggered contracts and price rigidities
- 4.3. Staggered contracts and wage rigidities
- 4.4. Effects of a non-zero trend inflation

#### **Topic 5. Integrating the three types of frictions in a non-stationary DSGE model**

- 5.1. A non- stationary DSGE model with unemployment
- 5.2. A non- stationary DSGE model with financial frictions
- 5.3. A non- stationary DSGE model with unemployment and financial frictions

### 4.4. Course planning and calendar

Provisional calendar of sessions:

- Session 1. Presentation and introduction
- Session 2. Labor market. Efficiency wages
- Session 3. Labor market. Unions
- Session 4. Matching function
- Session 5. Homework presentation
- Session 6. Banks. Introduction. Assymmetric information
- Session 7. Banks. Costly state verification and costly enforcement
- Session 8. Homework presentation
- Session 9. Banks. Credit rationing and collaterals. Financial intermediation
- Session 10. Staggering and rigidities in prices and wages. Short run
- Session 11. Staggering and rigidities in prices and wages. Long run
- Session 12. Homework presentation
- Session 13. Effects of a non-zero trend inflation in DSGE models. Integration of structural unemployment and banks activity
- Session 14. Homework presentation
- Session 15. Exam

### 4.5. Bibliography and recommended resources

- Blanchard, Olivier. Lectures on macroeconomics / Olivier Jean Blanchard and Stanley Fischer . - 11th. ed. Cambridge (Massachussets) ; London : MIT Press, 1998
- Freixas, Xavier. Economía bancaria / Xavier Freixas, Jean-Charles Rochet ; traducción de Ma. Esther Rabasco y Luis Toharia Madrid : Antoni Bosch, D.L. 1999