

Academic Year/course: 2021/22

## 27430 - Macroeconomics IV

### Syllabus Information

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**Academic Year:** 2021/22

**Subject:** 27430 - Macroeconomía IV

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

**Degree:** 417 - Degree in Economics

**ECTS:** 6.0

**Year:** 4

**Semester:** Second semester

**Subject Type:** Compulsory

**Module:**

## 1. General information

### 1.1. Aims of the course

That the student knows how to handle dynamic models and that he understands both the origins and problems of economic cycles and the functioning of growth engines.

These approaches and objectives are aligned with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda number 3 and 9, in such a way that the acquisition of the learning results of the subject provides training and competence to contribute to a certain extent. to your achievement.

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

That the student knows how to handle dynamic models and that he understands both the origins and problems of economic cycles and the functioning of growth engines.

These approaches and objectives are aligned with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda number 3 and 9, in such a way that the acquisition of the learning results of the subject provides training and competence to contribute to a certain extent. to your achievement.

### 1.3. Recommendations to take this course

It is convenient to have studied and approved Macroeconomics I and II, as well as Microeconomics I and II. It is also necessary to refresh calculus knowledge.

## 2. Learning goals

### 2.1. Competences

Upon passing the subject, the student will have acquired the following competence:

#### *Specific competences*

E8. Provide rationality to the analysis and description of any aspect of economic reality.

E10. Issue advisory reports on specific situations in the economy (international, national or regional) or sectors thereof.

E17. Use deductive reasoning in conjunction with models to explain economic phenomena.

#### *Generic competences*

G1. Capacity for analysis and synthesis.

G4. Ability to understand and interpret texts of an economic nature

G7. Ability to communicate fluently in your environment.

G15. Ability to apply knowledge in practice.

### 2.2. Learning goals

The student must demonstrate, to pass this subject, a complete knowledge of the particularities of the operation of an

economy open to the outside in all the combinations that may arise according to the exchange rate and capital mobility regimes, both in static and dynamic models. as well as the factors behind the generation of economic cycles and economic growth. This knowledge will be verified by diagnosing the problems posed by particular situations in a country or region and judging the best economic policy alternatives to solve them.

The student, passing this subject, will be able to:

- a) Differentiate the behavior of an open economy according to the exchange rate and capital mobility combination and conclude the effectiveness of the fiscal and monetary economic policies in each case.
- b) Understand the relevance of expectations in cycles based on models of competitive equilibrium cycles, the importance of learning in the formulation of said expectations, the genesis of dynamic inconsistency in economic policy and the possibility of phenomena such as speculative bubbles that magnify the amplitude of the cycles.
- c) Identify when the rigidities in the markets that generate certain fixed prices are the origin of the cycles and how it can be possible to correct situations that can aggravate the negative effects of crises.
- d) Describe the mechanisms by which certain economic activities can play the role of engines of economic growth.

### 2.3. Importance of learning goals

The student will know how to judge the situation of the economy at all times from the perspective of cycles and growth, being able to highlight the most relevant problems in each of these perspectives.

## 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:

- 1.- Continuous assessment tests, which each assess the mastery of skills and the acquisition of macroeconomic knowledge based on a part of the subject's program.
- 2.- A final exam where the acquisition of knowledge and mastery of the competences of the subject from the global program of the subject.

The tests will consist of questions in the resolution of theoretical and / or theoretical-practical exercises. It is planned that these tests will be carried out in person but if health circumstances require it, they will be carried out blended or online. In the case of online assessment, it is important to note that, in any test, the student may be recorded, and he may exercise his rights through the procedure indicated 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)

The necessary software will be used to verify the originality of the activities carried out. The detection of plagiarism or copying in an activity will imply a score of 0 points in it.

Evaluation criteria and qualification

The qualification of the different evaluation activities will be carried out through the evaluation procedures indicated below:

#### 1. Continuous evaluation.

It will be carried out through two tests that will consist of solving theoretical-practical exercises associated with a part of the subject. They will be carried out during class hours, distributed evenly throughout the course. The subject will be considered passed by this means if the average of the two tests (valued over 10 points) is equal to or greater than 5 points and in none of them has a grade lower than 3.5 points been obtained.

In order to access the continuous assessment tests, it will be an essential requirement to have participated in at least 85% of the classes in the group in which each student is enrolled.

#### 2.-Final exam.

The student who does not opt for continuous evaluation, who does not pass the subject through continuous evaluation or wants to improve his grade, will have the right to take the global test, prevailing, in any case, the best of the grades obtained. The global test will be a final exam consisting of a set of theoretical or practical questions to be developed from a theoretical and / or practical point of view through graphic and mathematical analyzes and with the macroeconomic transmission mechanisms that are addressed in the classes of The subject.

Both procedures will allow, where appropriate, to pass the subject with the highest grade. The procedure chosen will always be the one that is most favorable for the student.

The qualification of the continuous evaluation will be published by the professors one week in advance of the completion of the final exam. The evaluation in second call will be carried out through a global test similar to the final exam mentioned above.

The student's level of knowledge about the theoretical-practical contents developed in the classroom by the teacher, the proper use of economic language and the handling of the techniques developed in class to solve problems will be evaluated.

The evaluation of the fifth and sixth call students will be carried out according to the Agreement of December 22, 2010 of the Governing Council that approves the regulation of learning evaluation standards of the University of Zaragoza.

Evaluation criteria

The evaluation will take into account:

1. The analytical correction.
2. The reasoned and coherent explanation of the arguments used.

3. The correct and timely use of economic concepts.
4. The level of knowledge and management of the techniques developed in class to solve the practical exercises.

## 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:

- 1.-Participative master classes. In them, the teacher will explain the fundamental contents of the subject. The student must complement the explanations with the recommended bibliography.
- 2.-Practical classes. In them, students will solve practical exercises, always under the teacher's supervision. For its development, the group will unfold, which facilitates student participation.

### 4.2. Learning tasks

The program offered to the student to help him achieve the expected results comprises four types of activities.

1. Theoretical classes: Credits: 1,2. Methodology: Attendance to classes and participatory problem solving.
2. Practical classes: Credits: 1,2. Methodology: Attendance to classes, problem solving and case studies applying the precise technical tools.
3. Tutorials and seminars: Credits: 0.6. Methodology: Tutoring and complementary activities.
4. Personal work: Credits: 3. Methodology: Resolution of exercises. Use of ICT. Work preparation and exam preparation.

The teaching methodology is planned for face-to-face classes. However, if necessary for health reasons, teaching could be delivered on line or in a blended way.

### 4.3. Syllabus

#### Part 1: Open economy:

##### Lesson 1: Open economy models

###### 1.- INTRODUCTION

Behaviour functions of the foreign sector and equilibrium conditions

Exchange rate and capital mobility regimes

The small country hypothesis

###### 2.- MUNDELL-FLEMING MODEL

Equations of the model

Functions for the resolution and utilization of the model

Results of the model depending of the regimes of exchange rate and capital mobility

###### 3.- PURCHASING POWER PARITY HYPOTHESIS

###### 4.- DORNBUSCH'S OVERSHOOTING MODEL

###### 5.- BUITER-MILLER'S MODEL

#### Part 2: Business cycles:

##### Lesson 2: Competitive business cycles

1.- COMPETITIVE BUSINESS CYCLES MODELS: The new classical macroeconomy and the real business cycles

2.- THE NEW CLASSICAL MACROECONOMY AND THE HYPERINFLATIONS

3.- SPECULATIVE BUBLES AND THE BUSINESS CYCLES

4.- RATIONAL EXPECTATIONS AND LEARNING

5.- ECONOMIC POLICY ASPECTS. Dynamic inconsistency and reputation

6.- BLANCHARD'S MODEL OF LIMITED RATIONALITY

##### Lesson 3: Business cycles with rigidities in the markets: good markets

1.- CAUSES OF THE PRICE STICKINESS IN THE GOOD MARKET: Staggered contracts, imperfect competition and menu costs

2.- AN ILLUSTRATION OF THE BUSINESS CYCLES ORIGINE WITH STAGGERED PRICES AND IMPERFECT COMPETITION.

3.- CALVO'S STAGGERED PRICE MODEL

#### 4.- THE CURRENT MONETARIA POLITICY AND THE TAYLOR RULE

##### **Lesson 4: : Business cycles with rigidiities in the markets: labour market**

1.- STICKY PRICES IN THE LABOUR MARKET: Efficiency wages

2.- TAYLOR`S MODEL OF STAGGERED WAGES

3.- OTHER MODELS OF STAGGERED WAGES

4.- EQUILIBRIUM UNEMPLOYMENT RATE: The dynamics of the vacants and the Beveridge curve. The matching function.

##### **Part 3: Economic growth:**

##### **Lesson 5: Economic growth models**

1. THE RAMSEY MODEL

1.1. The Ramsey model without technical progress

1.2. The Ramsey model with technical progress

2. ONE SECTOR ENDOGENOUS GROWTH MODELS: Externalities and AK models

2.1. Romer model with capital externality

2.2. Barro model of public expenditure

3. TWO SECTORS ENDOGENOUS GROWTH MODELS

3.1. Human capital: The Lucas model

3.2. Research and development: The technological change model of Romer