



## **LJUBLJANA SUMMER SCHOOL 2012**

### **COURSE TITLE: MACROECONOMICS 1**

#### **Bachelor course**

**Lecturer:** Lorenzo Burlon, University of Barcelona, Spain

**ECTS credits:** 6 ECTS

#### **Aims of the course:**

- To understand the basic aspects of the functioning of the aggregate economy.
- To learn the main macroeconomic components of a country's national accounts.
- To understand the main determinants of a country's economic growth.
- To understand the relation between savings and investment.
- To have an intuition of what a country's financial system is and how it works.
- To learn the Keynesian cross diagram, the basic model of the real and financial sector, and the model of aggregate demand and supply.
- To understand how the model of aggregate demand and supply works in the short and long term.
- To learn the mechanisms and the theories that describe the creation of money (the money supply).
- To learn which are the main purposes of a central bank and to know the main monetary policy tools at its disposal.
- To learn the Phillips curve in the short and long run.
- To understand the concepts of inflation and deflation.
- To learn the different views that shape the modern macroeconomy.
- To learn what a country's balance of payments is and how it works.
- To understand the concept of an exchange rate and its influence on the economy.
- To learn how to compute the various macroeconomic components of an economy.
- To learn to analyze the effects of different economic policies in the models of Keynesian cross, IS-LM, and aggregate demand and supply by means of comparative statics exercises.
- To understand (and to learn how to compute) the concept of a multiplier in the Keynesian cross model.

#### **Course syllabus:**

1. Introduction. What macroeconomics is about.

1.1. Basic aspects of macroeconomics: macroeconomic variables and issues.

1.2. Introduction to the variables and the markets: goods and services market, money market, labour market.

2. Basic models of the determination of national income. Short and long run.

2.1. The neoclassical model.

2.2. The Keynesian cross model.

3. The market for goods and services and the IS curve.

3.1. The components of aggregate demand.

3.2. Origin and analysis of the IS.

3.3. The IS and the exogenous variations of public spending: the fiscal policy.

4. The money market and the LM curve.

4.1. The financial system and the supply and demand for money.

4.2. Origins and analysis of the LM.

4.3. The LM and the monetary policy.

5. Equilibrium in the market for goods and services and in the money market: IS-LM. The aggregate demand curve.

5.1. The equilibrium IS-LM.

5.2. The effectiveness of fiscal and monetary policy.

5.3. The aggregate demand.

6. Open economy.

6.1. Exchange rate systems and capital mobility: the Mundell-Fleming model.

6.2. Other hypotheses about capital mobility.

7. Aggregate demand and aggregate supply.

7.1. The AD-AS model. Alternative focuses.

7.2. Wages, prices, and unemployment. The Phillips curve.

**Prerequisites:**

It is recommended to have attended the courses of Introduction to Economics and Microeconomics.