
Intermediate Macroeconomic Theory and Policy

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Course Description

Europe has undergone two major crises over the past ten years: first, the financial crisis originating in over-borrowing through mortgages in the United States; and second, the fiscal crisis, originating in massive government debt in some Eurozone countries. Both have challenged macroeconomic analysis and the design of policies for macroeconomic adjustment.

The primary purpose of this course is to give participants a sound understanding of key macroeconomic issues of today, blending theoretical tools with policy dilemmas following the financial and the fiscal crisis. Particular emphasis will be placed on how cyclical fluctuations are generated, what constitutes the major policy problems that fiscal and monetary authorities face today, how unemployment can be reduced, and what contributes to sustainable growth over the longer run.

Course Learning Goals and Competences

Successful completion of this course will provide students with the ability to understand, discuss, and debate the current economic outlook and likely future developments regarding inflation, unemployment, growth, budget deficits and government debt, trade deficits and the balance of payments, as well as topical issues such as the future of the euro, the limitations of monetary and fiscal policies, or the tradeoffs between fiscal austerity and government debt sustainability.

Required Textbook

The course uses the Global 7th Edition of the famous Blanchard textbook (Blanchard, *Macroeconomics*, Pearson, 2017), written after the financial crisis and most of the fiscal crisis. It introduces recent real-world examples

and improved analytical tools that help us understand the new and very serious challenges of recent times.

Students need to purchase the textbook prior to joining the course. Information on alternative versions and purchase links can be found at <http://catalogue.pearsoned.co.uk/educator/product/Macroeconomics-Global-Edition/9781292160504.page>. Please note that there is also a e-book version at considerable savings. Purchase of the extra functionality of EconLab is not required but can be helpful to interested students.

Prerequisites and target audience

The course is self-contained: it assumes no prior knowledge of economics, although it covers material at the Intermediate Macro level preparing students for more advanced studies in Macroeconomics, but also for numerous careers that can benefit from sound knowledge of how the global economy works. It employs basic algebra and extensive graphical analysis, as well as readings from the financial press to encourage students to develop a sound framework and to apply it to current policy discussions. In addition to university students or graduates, the course is also suitable for *exceptionally strong* high-school students who have either been accepted at highly ranked universities or who are in their final years and looking to strengthen their prospects for applying to top universities.

Course requirements

Course requirements include a midterm and a final examination with the latter being taken 1 month after the completion of the course. The midterm counts for 30% and the final for the remaining 70% of the course grade.

Requirements can be satisfied at an ADVANCED level (suitable for meeting Intermediate Macro requirements in demanding universities) or at a BASIC level (suitable for satisfying distribution requirements of students who are not majoring in Economics).

Course Outline

(Numbers refer to chapters in Blanchard Global 7th Edition of Macroeconomics, Pearson, 2017)

Core Chapters

Introduction

2. A Tour of the Book

The Short Run

3. The Goods Market
4. Financial Markets I
5. Goods and Financial Markets; The *IS-LM* Model
6. Financial Markets II

The Medium Run

7. The Labor Market
8. The Phillips Curve, the Natural Rate of Unemployment, and Inflation
9. Putting All Markets Together: From the Short to the Medium Run

The Long Run

10. The Facts of Growth
11. Saving, Capital Accumulation, and Output
12. Technological Progress and Growth

Extensions (Depending on available time)

The Open Economy

17. Openness in Goods and Financial Markets
18. The Goods Market in an Open Economy
19. Output, the Interest Rate, and the Exchange Rate

Back to Policy

22. Fiscal Policy: A Summing Up
23. Monetary Policy: A Summing Up