Part I Paper 2
Macroeconomics

Paper Co-ordinator: Dr Chryssi Giannitsarou (cg349@cam.ac.uk)

Paper content

Macroeconomics studies the behaviour of the aggregate economy in the short and long run, in closed as well as open economies.

Aims

The paper introduces students to macroeconomic systems, providing them with an understanding of the interdependency between key economic variables and a set of tools enabling them to undertake systematic macroeconomic analysis.

Objectives

Upon completion of this paper, students should have:

- an understanding of macroeconomic systems and the way they work;
- a critical understanding of the importance of key assumptions;
- the capacity to undertake comparative static analysis;
- a basic understanding of the determinants of national income (in the short and long run; as well as in open and closed economies), business cycle fluctuations and economic growth;
- a basic understanding of principles and knowledge of current topics of macroeconomic policy.

Lecture Courses

This paper focuses on the macro economy as a general equilibrium system and discusses how goods, money and factor markets interact to determine national income and its components. The paper first introduces the main concepts of macroeconomic analysis, including how to measure macroeconomic data. It then analyses macroeconomic outcomes for a closed economy in the long run, followed by short run fluctuations and business cycle. Next, the paper introduces macroeconomic analysis in an open economy in both the short and the long run. Last, the paper presents facts about the UK economy and current topics in macroeconomic policy. The lecture courses for this paper are:

Macroeconomics Principles I (Dr Chryssi Giannitsarou, 16 lectures, weeks 1-8, Michaelmas Term). The topics to be covered are: Measuring macroeconomic data; the classical model of the long run; economic growth; labour market and the natural rate of unemployment;
monetary system and the central bank; money and inflation; introduction to the short run macro and the great recession.

**Macroeconomics Principles II** (Dr Charles Brendon, 16 lectures, weeks 1-8, Lent Term). The topics to be covered are: The short run model; IS, LM and MP curves; aggregate demand in the short run; monetary policy in the short run model; theories of short run aggregate supply; AD-AS framework and policy; the short run model and the great recession; small open economies in the long and short run; macroeconomic policy in open economies;

**Current Topics in Macroeconomics** (Dr Miguel Morin, 4 hours, weeks 1-2, Easter Term). The topics covered are: the UK economy; policy in the UK; the UK labour market.

**Reading**

The core lectures will be structured around two key textbooks:

**Supervisions**

Course outlines will be posted at the beginning of term at the Faculty teaching website. To facilitate coordination between lectures and supervisions, nine suggested supervision assignments will be posted on the course website, corresponding to one assignment per four hours of lectures. These will be accompanied by a recommended supervision programme that follows the course structure and lectures. Supervisions are organised by your Director of Studies.

**Examination**

The examination for this paper consists of two sections. Section A contains six short questions. The questions in Section A are designed to test specific knowledge of macroeconomic theory and all of them must be attempted by the students. Section B contains six essay and problem questions, from which the students are asked to attempt two. Past exam papers can be obtained from the Faculty website.