

International Macroeconomics (4 ECTS)

Contents

- IS-LM Model (plus extended IS-LM Model)
- Labour Market
- Phillips Curve
- IS-LM-PC Model
- Openness in Goods and Financial Markets
- Mundell-Fleming Model
- Exchange Rate Regimes

Macroeconomic concepts:

- The Goods Market: Which are the components of demand?
- Financial Markets: What happens if the ECB changes its interest rate?
- The Labor Market: Which role does collective bargaining play in different countries?
- Inflation and Deflation: Is there really a negative relation between inflation and unemployment?
- Balance of Payments: What might be the results of a persistent current account deficit?

Economic Policy:

- Monetary and Fiscal Policy: Under which circumstances may fiscal policy increase production? In which cases is monetary policy more suitable? Where are the limits to these policy measures?
- Exchange Rates: Under which circumstances should an economy adopt a fixed exchange rate regime? When are flexible exchange rates more suitable? What are the implications of a devaluation?

Crisis:

- Shocks to Demand and Supply: What were the consequences of the increase in oil prices in the 1970ies? Which are the effects of fiscal consolidation on output? How can a recession be counteracted?
- Exchange Rate Crises: How can rumors trigger an exchange rate crises?
- Financial Crisis: What were the macroeconomic implications of the decline in house prices in the US in 2006 and the bankruptcy of Lehman Brothers?

Learning Outcomes

After completing this course students will be able to...

- describe and graphically depict central **macroeconomic relationships** for closed and open economies
- to analyze the effects of various **economic policies** (e.g. government expenditure increases, interest rate decreases, exchange rate regimes) using the theoretical models taught in this course
- to recognize macroeconomic **concepts** in other contexts (e.g. economics news, business plans) and to draw adequate conclusions

Additionally, this course enhances...

- analytical skills
- the capacity to depict complex relationships by simple models and to derive action plans
- reasoned phrasing
- the ability to interpret graphs
- handling of numerical data
- time management

Literature

Blanchard, O. und Illing, G. (2017). *Makroökonomie*. 7. Auflage. Pearson Verlag.
(Chapters 5 – 9, 17 – 20 for the courses taught in German)

Blanchard, O. (2017). *Macroeconomics*. 7th edition. Pearson.
(Chapters 5 – 9, 17 – 20, for the courses taught in English)