

Macroeconomics

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There are three components of equal weight, two of which run concurrently in Semester 1, while the third is given in Semester 2. The order of presentation may vary.

The first component focuses on open economy macroeconomics and is itself divided into three parts. The first explores international linkages between goods and capital markets, and discusses purchasing power parity and interest parity relationships. The second considers a variety of open economy macroeconomics models, specifically the Mundell-Fleming model, the Dornbusch overshooting model, and recent work combining inter-temporal optimisation, rigid prices and imperfect competition (the Obstfeld-Rogoff 'redux' model). The third, which is more explicitly concerned with policy questions, considers target zone and currency crisis models.

The second component provides a rigorous but accessible account of some key areas of macroeconomics. It deals first with the inter-temporal choices of economic agents. This concerns the micro-foundations of macroeconomics, a micro-framework with which to view the evolution of consumption, capital, output, investment, interest rates and other macro variables. Next, it examines traditional and modern theories of economic growth, exogenous and endogenous, and discusses long-run policy alternatives.

The third component deals with recent developments in the analysis of the relationship between the monetary and real sectors of the economy. It adopts a formal modelling approach, focusing on the role of money in explaining the behaviour of aggregate output in the short and long run. The relationship between money and the rate of inflation is examined, and selected monetary policy issues discussed. The empirical relevance of different modelling approaches is discussed.

Assessment

2 x 1-hour tests in January (30%), 1 x test in Spring Term (15%) and a 3-hour written examination (55%)