



### COURSE UNIT (MODULE) DESCRIPTION

| Course unit (module) title | Code |
|----------------------------|------|
| Economic Principles II     |      |

| Academic Staff  | Core academic unit(s)                            |
|---|--|
| <b>Coordinator:</b> Dr Aurelija Proškutė<br><b>Other(s):</b> Dr Eglė Jakučionytė,<br>Dr Guillermo Hausmann Guil | Faculty of Economics and Business Administration |

| Study cycle        | Type of the course unit |
|--------------------|-------------------------|
| First (Bachelor's) | Compulsory              |

| Mode of delivery | Semester or period when it is delivered | Language of instruction |
|------------------|---|-------------------------|
| Face-to-face     | Semester 2                              | English                 |

| Requisites                                  |                                     |
|---|-------------------------------------|
| <b>Prerequisites:</b> Economic Principles I | <b>Co-requisites (if relevant):</b> |

| Number of ECTS credits allocated | Student's workload (total) | Contact hours | Individual work |
|----------------------------------|----------------------------|---------------|-----------------|
| 15                               | 390                        | 108           | 282             |

| Purpose of the course unit  |   |   |
|---|---|---|
| The course aims at providing an integrated view of macroeconomics by looking at the macroeconomic problems and macroeconomic policy questions at hand and providing the basic theory as well as its extensions to analyze them. |   |   |
| Learning outcomes of the course unit (corresponding learning outcomes of the programme)   | Teaching and learning methods   | Assessment methods  |
| Have acquired knowledge of basic macroeconomic models and methods, be aware of their assumptions and limitations. (1.1, 3.1)  | Lectures and lecture notes, tutorials, class-room discussion, CORE quizzes and readings, case-studies | Mid-term exam (35%)<br>Final exam (30%)<br>Homework and teamwork (35%)<br><br>There will also be an opportunity to earn up to 10 p.p. to the total score on the successful execution of tasks given by the instructor. The execution of tasks will be voluntary |
| Have acquired competence in using and interpreting macroeconomic models. (3.2)  | Reading academic literature, tutorials with exercises and problem sets.                               |   |
| Critically evaluate macroeconomic policy. (3.3)   | Reading policy papers and professional press, lectures and tutorials.                                 |   |
| Introduced to the statistics illustrating   |   |   |

|  |                                    |
|--|------------------------------------|
| theoretical concepts in macroeconomic models, relevant data sources and data processing techniques. (3.4)                                | Tutorials.                         |
| Construct logical and coherent arguments using macroeconomic concepts and develop economic thinking, as well as communicate ideas. (4.2) | Class-room discussions, tutorials. |

| Content   | Contact / Individual work: time and assignments |           |          |           |                 |            |                      |                 | Tasks for individual work                        |
|---|---|-----------|----------|-----------|-----------------|------------|----------------------|-----------------|--|
|   | Lectures  | Tutorials | Seminars | Workshops | Laboratory work | Internship | Contact hours, total | Individual work |  |
| <b>Subject of Macroeconomics. Macroeconomic Indicators</b><br>The big questions about the economy. Aims and models of macroeconomics; Aggregate output; Other major macroeconomic variables; The short run, medium run and long run.  | 6   | 4         |          |           |                 |            | 10                   | 30              | <i>Blanchard Ch 1 and 2</i>                      |
| <b>Economy in the short run: Goods and Financial Markets</b><br>Demand for goods; Equilibrium output; Role of fiscal policy; High debt; Demand for money; Money supply and monetary policy.   | 6   | 2         |          |           |                 |            | 8                    | 24              | <i>Blanchard Ch 3, 4, 5, 6<br/>CORE Unit 13</i>  |
| <b>Economy in the short run: Fluctuations in Macroeconomic Aggregates. Role of Monetary and Fiscal Policy.</b><br>Goods market; Financial markets. Policy mix; liquidity trap; Monetary and fiscal policy rules and constraints   | 4   | 4         |          |           |                 |            | 8                    | 12              | <i>CORE Unit 14, 15</i>                          |
| <b>Open economy: Exchange rate regimes</b> Openness in goods market; Openness in financial market<br><b>Open economy: Economic policy in an open economy</b>  | 8   | 4         |          |           |                 |            | 12                   | 24              | <i>Blanchard Ch 17, 18, 19, 20</i>               |
| <b>Economy in the medium run: Labor market</b><br>Wage determination; Price determination; Natural rate of unemployment<br><b>Economy in the medium run. Supply and demand</b><br>Aggregate supply; Aggregate demand; Equilibrium in the short and in the medium run; The effects of economic policy.<br><b>Economy in the medium run: Inflation</b> Output, unemployment and inflation; Phillips curve; High inflation | 10  | 6         |          |           |                 |            | 16                   | 24              | <i>Blanchard Ch 7, 8 and 9<br/>Mid-term exam</i> |

|   |           |           |  |  |  |  |            |            |  |
|---|-----------|-----------|--|--|--|--|------------|------------|--|
| <b>Economy in the long run: economic growth</b><br>Standard of living; Output and capital; Saving rate; Solow growth model; Technological progress and growth | 10        | 6         |  |  |  |  | 16         | 24         | <i>Blanchard Ch 10, 11, 12 and 13<br/>CORE Unit 16</i> |
| <b>Expectations</b><br>Nominal and real interest rates; Financial markets and expectations; Output and policy   | 4         | 2         |  |  |  |  | 6          | 16         | <i>Blanchard Ch 14, 15 and 16</i>                      |
| <b>Microfoundations, intertemporal optimisation</b>   | 10        | 4         |  |  |  |  | 14         | 32         |  |
| <b>Macroeconomic policy</b>   | 8         | 4         |  |  |  |  | 12         | 24         | <i>Blanchard Ch 21, 22 and 23</i>                      |
| <b>The nation and the world economy</b>   | 2         |           |  |  |  |  | 2          | 24         | <i>CORE Unit 18</i>                                    |
| <b>Economic inequality</b>  | 2         |           |  |  |  |  | 2          | 24         | <i>CORE Unit 19</i>                                    |
| <b>Innovation, information, and the networked economy</b>   | 2         |           |  |  |  |  | 2          | 24         | <i>CORE Unit 21</i>                                    |
| <b>Total</b>  | <b>72</b> | <b>36</b> |  |  |  |  | <b>108</b> | <b>282</b> |  |

| Assessment strategy                                 | Weight % | Deadline                    | Assessment criteria  |
|---|----------|-----------------------------|--|
| Mid-term and final exams                            | 35, 30   | Mid and end of the semester | The final and mid-term exams will consist of both longer open questions and exercises in which students have to show their analytical capabilities and of shorter questions simply testing students' knowledge. The final exam will test the material from the whole course. |
| Home assignments (individual homework and teamwork) | 35       | Throughout the semester     | Students will receive individual or team homework assignments containing the analytical questions about the material covered in class or asking to provide solutions to problems illustrating theory studied.  |

| Author  | Publishing year | Title                                       | Issue no. or volume | Publishing house or web link                                    |
|---|-----------------|---|---------------------|---|
| <b>Required reading</b>   |                 |   |                     |   |
| Lecture notes and slides as well as online resources will be made available to all students. Students will be required to read an online book <a href="http://www.core-econ.org/the-economy/">http://www.core-econ.org/the-economy/</a> and register online to actively participate in the discussions, online tutorials (practice of quizzes) and analysis of case studies (economists' videos). |                 |   |                     |   |
| Blanchard, O.   | 2017            | Macroeconomics, Global Edition              | Seventh Edition     | Pearson Prentice Hall   |
| CORE Team   | 2017            | The Economy: Economics for a Changing World | First Edition       | <a href="http://www.coreecon.org/">http://www.coreecon.org/</a> |
| <b>Recommended reading</b>  |                 |   |                     |   |
| Blanchard, O.<br>Amighini, A., Giavazzi, F.   | 2017            | Macroeconomics: A European Perspective.     | Third Edition       | Pearson Education Limited                                       |