



MACROECONOMIC POLICY

SECS-P/02 - 9 CFU - 2° semestre

Docente titolare dell'insegnamento

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Orario ricevimento: MAR - MER 10.00-12.00

OBIETTIVI FORMATIVI

1. Knowledge and understanding

The course aims to provide conceptual tools for the macroeconomic analysis of the global economic environment. The role of economic policy, in the current context of financial globalization will be studied by devoting a particular attention to understand different theoretical approaches to policy making. Thus, the emphasis will be focused in describing, from a macroeconomic point of view, the interaction between the real and financial side of economies, by focusing on expectations, markets and the determination of the equilibrium level of income. A specific reference to Monetary Unions will be done.

2. Applying knowledge and understanding

Applying knowledge and understanding: Students are required to broaden both their culture and their terminology. They should develop proactive analysis capabilities, in order to use theoretical models and verify their applicability to real cases. The degree of their ability will be monitored during the course, also by interpreting relevant facts of the critical global macroeconomic environment which are the core centre of the contemporary political debate.

3. Making judgments

It is particularly important that students develop their own critical skills and independent judgment capacity. Macroeconomic Policy is a matter of ideology, after all, and (therefore) an individual well sounded personality should be used for the analysis of actual cases. These cultural advancements are required in order to develop the attitude to identify policy objectives, policy instruments and their applicability range, both within a domestic scenario and in a supra-national setting. The course aims to strengthen students' awareness, by providing them with few basilar elements of philosophy, surrounding the different approaches, in order to stimulate the ability in understanding the complex nature of macroeconomic policy decisions.

4. Communication skills

During the course, the student will have the opportunity to improve and refine the technical language and to broaden their capability to express themselves in English. Communicative skills in the foreign language will not be tested, but it is obvious that the ability to reply to questions and discuss issues is “reasonably” necessary. Moreover, an adequate knowledge of basics of Macroeconomics and of Mathematics for Economics is needed.

5. Learning skills

The learning ability of the student will be checked by the teacher during the course, by encouraging participation and providing guidance for the most correct learning process. In this discipline, more than in others, analytical theoretical models should be carefully understood before they can be profitably referred to specific historical and institutional contexts.

MODALITÀ DI SVOLGIMENTO DELL'INSEGNAMENTO

The course will be taught mainly through frontal lectures. During the course tutorials will also be provided by the instructor on the arguments covered in the lectures. Changes might happen according to the evolution of the pandemic.

PREREQUISITI RICHIESTI

Basic knowledge of microeconomics and mathematics is considered very useful.

FREQUENZA LEZIONI

Mandatory. Students are firmly suggested to attend lectures.

CONTENUTI DEL CORSO

The Financial Crisis*; Refresh on National Accounting; Goods and Financial Markets: IS-LM*; The Labour Market*; Bargaining, Search and Matching, Efficiency Wage Theories*; The Phillips Curve*; The Macroeconomic Equilibrium: IS-LM-PC*; Again on the Macroeconomic Equilibrium: AD-AS vs. IS-LM-PC; The Expectations Theories*; Optimal Currency Area and the European Perspective*; Exchange Rate Regimes*; Restraints on Policy Makers; Sovereign Debt Dynamics*; Unconventional Monetary Policy*; The Story of Macroeconomics.

A *star*, *, indicates the topics without which the exam cannot be passed

TESTI DI RIFERIMENTO

Blanchard O., Amighini A., Giavazzi F., Macroeconomics, a European Perspective, Pearson 2017.

ALTRO MATERIALE DIDATTICO

Suggested readings

Blanchard O., Summers L. H. (1986). Hysteresis and the European unemployment problem. *NBER macroeconomics annual*, 1, 15-78.

Blanchard O., Summers L. H. (1987). Hysteresis in Unemployment. *European Economic Review*, 3(1), 288-295.

Blanchard O., Katz L. F. (1997). What We Know and Do Not Know about the Natural Rate of Unemployment. *Journal of Economic Perspectives*, 11(1), 51-72.

Blanchard O., Wolfers J. (2000). The role of shocks and institutions in the rise of European unemployment: the aggregate evidence. *The Economic Journal*, 110(462), C1-C33.

Gambacorta L., Hofmann B., Peersman G. (2014). The effectiveness of unconventional monetary policy at the zero lower bound: A cross-country analysis. *Journal of Money, Credit and Banking*, 46(4), 615-642.

Gertler M., Karadi P. (2011). A model of unconventional monetary policy. *Journal of Monetary Economics*, 58(1), 17-34.

Joyce M., Miles D., Scott A., Vayanos D. (2012). Quantitative easing and unconventional monetary policy—an introduction. *The Economic Journal*, 122(564), F271-F288.

Zeza G. (2012). The impact of fiscal austerity in the Eurozone. *Review of Keynesian Economics*, 1, 37-54.

Further materials will be provided during the course.

PROGRAMMAZIONE DEL CORSO

	Argomenti	Riferimenti testi
1	Introduction: the financial crisis	Textbook, Ch. 1
2	Refresh on National Accounting	Textbook, Ch. 2
3	The goods market	Textbook, Ch. 3
4	The goods market: the effect of fiscal policy	Textbook, Ch. 3
5	The financial market	Textbook, Ch. 4
6	The financial market: the effect of monetary policy	Textbook, Ch. 4
7	Goods and financial markets: IS-LM	Textbook, Ch. 5
8	The labour market	Textbook, Ch. 7
9	Bargaining, search and matching, efficiency wage theories	Textbook, Ch. 7
10	The Phillips curve	Textbook, Ch. 8
11	The Phillips curve: critics and refinements	Textbook, Ch. 8
12	The macroeconomic equilibrium: IS-LM-PC	Textbook, Ch. 9

13	Again on the macroeconomic equilibrium: AD-AS vs. IS-LM-PC	Textbook, Ch. 9
14	Expectations theory: financial market	Textbook, Ch. 14
15	Expectations theory: consumption and investment	Textbook, Ch. 15
16	Expectations theory: output and policy	Textbook, Ch. 16
17	Optimal currency area and the European perspective	Textbook, Ch. 17-19
18	Exchange rate regimes	Textbook, Ch. 20
19	Restraints on policy makers	Textbook, Ch. 21
20	Sovereign debt dynamics	Textbook, Ch. 22
21	Unconventional monetary policy	Textbook, Ch. 23
22	The story of macroeconomics	Textbook, Ch. 24

VERIFICA DELL'APPRENDIMENTO

MODALITÀ DI VERIFICA DELL'APPRENDIMENTO

Regular examination consists of a written exam. Changes might happen according to the evolution of the pandemic.

ESEMPI DI DOMANDE E/O ESERCIZI FREQUENTI

Questions and problems can be found at the end of each chapter of the textbook "Blanchard O., Amighini A., Giavazzi F., Macroeconomics, a European Perspective, Pearson 2017".

Listed below are examples of questions that students can expect during the exam:

- The concept of liquidity trap and implications for monetary policy
- The idiosyncratic characteristics of the modern financial system
- From a housing problem to a global financial crisis
- The natural rate of unemployment and the NAIRU
- The Phillips Curve and implications for macroeconomic policy
- The effect of fiscal consolidation policy in the short- and medium-term
- The shape of the yield curve and expectations of short-term interest rates
- Time inconsistency in macroeconomic policy making
- The budget deficit and the government budget constraint
- The evolution of debt-to-GDP ratio

- Money targeting, inflation targeting and the Taylor rule
- Unconventional monetary policy
- Macroprudential tools for financial stability

Other exercises will be provided during the course.
