Lisbon School of Economics & Management
Universidade de Lisboa

Macroeconomics 1

Lecture 1: Presentation of the course. Introduction to macroeconomics.

2025-2026

Lisbon School of Economics & Management
Universidade de Lisboa

Welcome!

Good Work!

Good Luck!

Lisbon School of Economics & Management
Universidade de Lisboa

Theory 1

Class outline:

- Introduction to the topic, the programme, and the evaluation.
- What is macroeconomics?– Introduction.

Course teaching staff – 2025-2026

Lisbon School of Economics & Management
Universidade de Lisboa

Alexandre Abreu
Lectures – A01, A03
alexandreabreu@iseg.ulisboa.pt

David Iria
Tutorials (EN) – E01
diria@iseg.ulisboa.pt

Edoardo Tolva
Lectures and tutorials (EN) – B01, B02, E11, E12, E21, E31
edoardo.tolva@iseg.ulisboa.pt

Jacinto Braga
Tutorials – M12, M13
jacintobraga@iseg.ulisboa.pt

José Carlos Coelho
Tutorials – M05, M21
josecoelho@iseg.ulisboa.pt

Lucas Menescal
Tutorials – M01, M02, M03
lucasmenescal@iseg.ulisboa.pt

Susana Brissos
Tutorials – M04, M14, M15
sbrissos@iseg.ulisboa.pt

Vítor Magriço
Lectures and Tutorials – A02, M11
vmagrico@iseg.ulisboa.pt

Syllabus

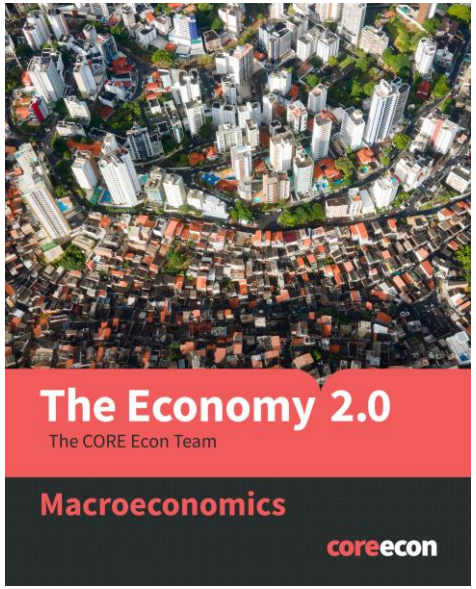
Lisbon School of Economics & Management
Universidade de Lisboa

1. Supply-side economics: unemployment and real wages
2. Unemployment, wages, and inequality: policies and institutions
3. Aggregate demand and the Keynesian model
4. Inflation and unemployment
5. Macroeconomic stabilization policies
6. Money, banking, and the financial sector

Bibliography

Compulsory:

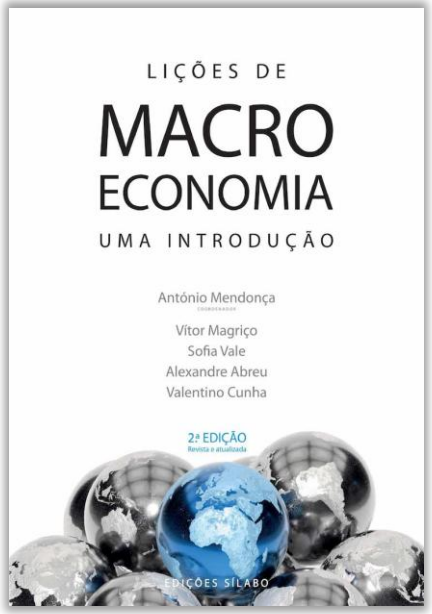
The CORE Team. (2023). *The Economy 2.0: Macroeconomics*, módulos 1-6 (disponível gratuitamente em: https://books.core-econ.org/the-economy/macroeconomics/0-3-contents.html)



Bibliography

Complementary (for those proficient in Portuguese):

Mendonça, A., Magriço, Vale, S., Abreu, A. e Cunha, V. (2024). Lições de Macroeconomia: uma Introdução, 2ª edição, Lisboa: Sílabo. https://silabo.pt/catalogo/ciencias-economicas/livro/licoes-de-macroeconomia-uma-introducao/



Schedule

Lisbon School of Economics & Management
Universidade de Lisboa

Classes: from 26/01 to 29/04

Carnival break: 16-17 February (note: 18/02 will have the schedule corresponding to the Monday of that week)

Intermediate test: first lecture (theoretical class) of the week 23-27 March (covering modules 1-2-3)

Easter break: 28 March - 6 April

Evaluation

Lisbon School of Economics & Management
Universidade de Lisboa

Regular Season:

Midterm Test: 30%

Tutorials (practical classes): 10% (attendance, participation, exercises)

Final exam: 60% (subject to a minimum of 7.0)

If the overall score with the above weightings is less than the grade of the final exam, only the latter will be considered (with a weighting of 100%).

Re-take Season:

Same components and weightings as in the Regular Season, but considering the Resit Exam instead of the Regular Final Exam.

In the event of a grade improvement, the Resit Exam (ER) counts for 100%.

Lisbon School of Economics & Management
Universidade de Lisboa

Theory 1

Readings:

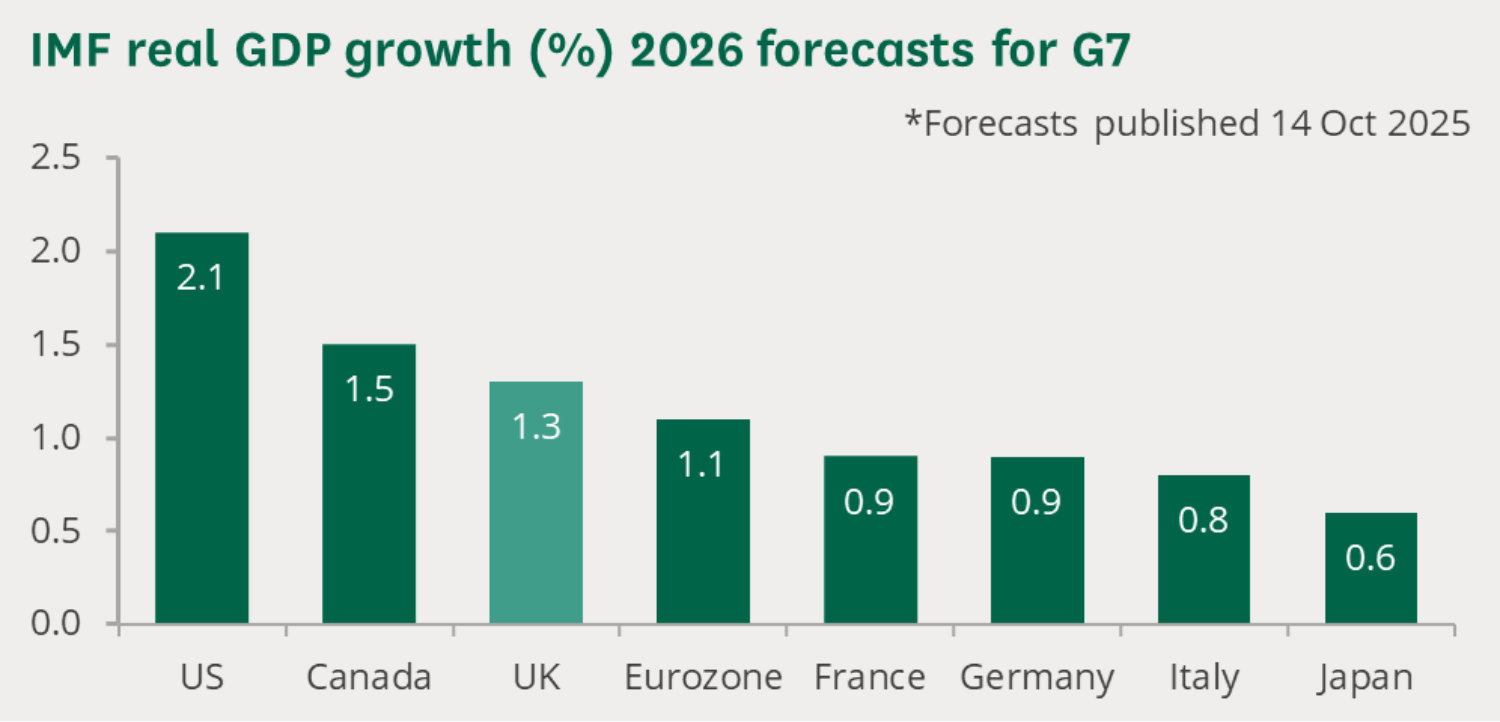
- The CORE Team. (2023). *The Economy 2.0: Macroeconomics* (módulos 1.1-1.4)

Lisbon School of Economics & Management
Universidade de Lisboa

Macroeconomics: Introduction

Some Macroeconomics Problems

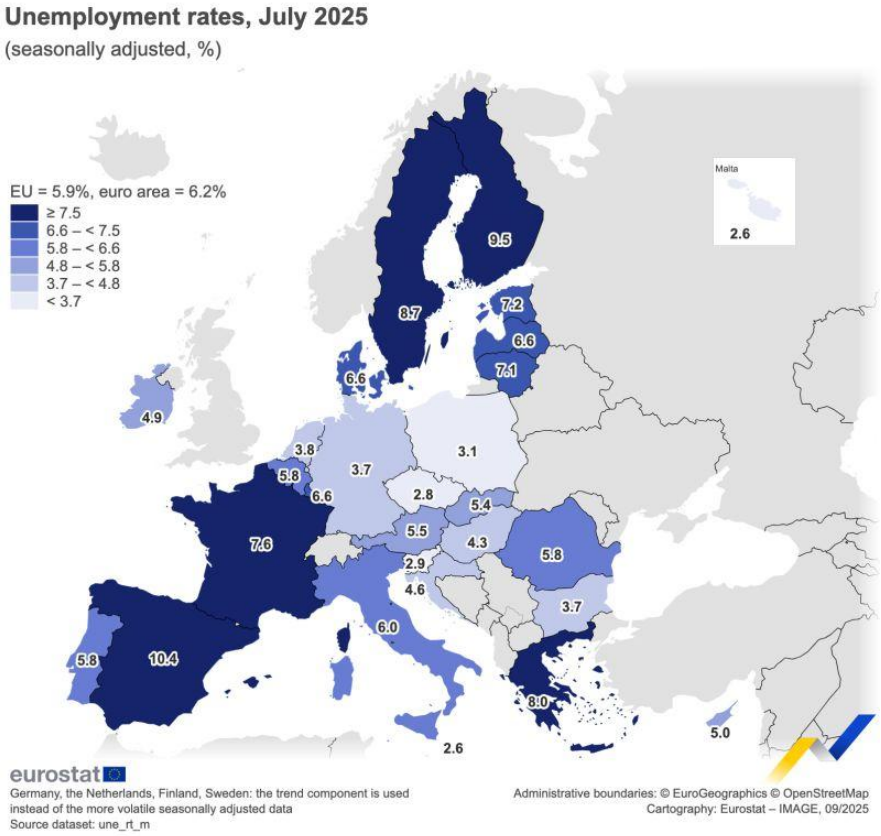
Lisbon School of Economics & Management
Universidade de Lisboa



Why do some economes grow faster than others? (And why more in some years?)

Some Macroeconomics Problems

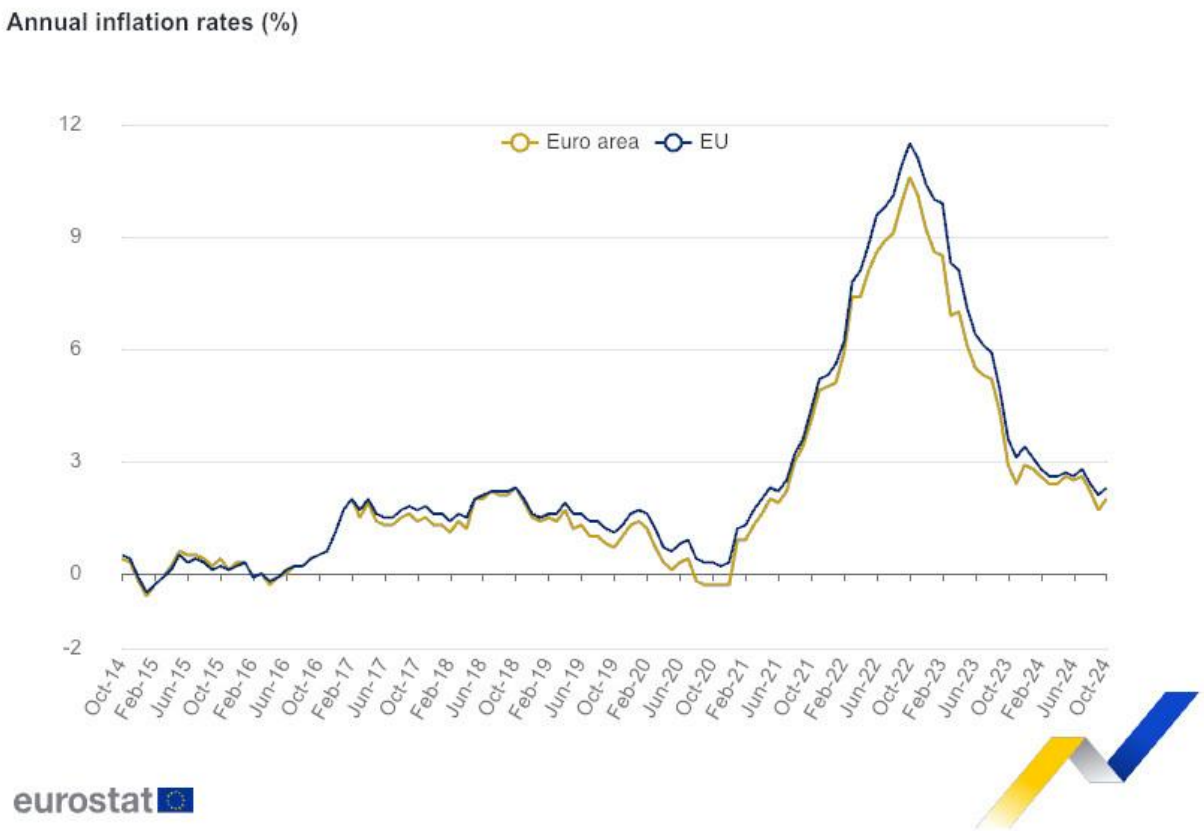
Lisbon School of Economics & Management
Universidade de Lisboa



Why do levels of employment and unemployment vary over time and across countries?

Some Macroeconomics Problems

Lisbon School of Economics & Management
Universidade de Lisboa

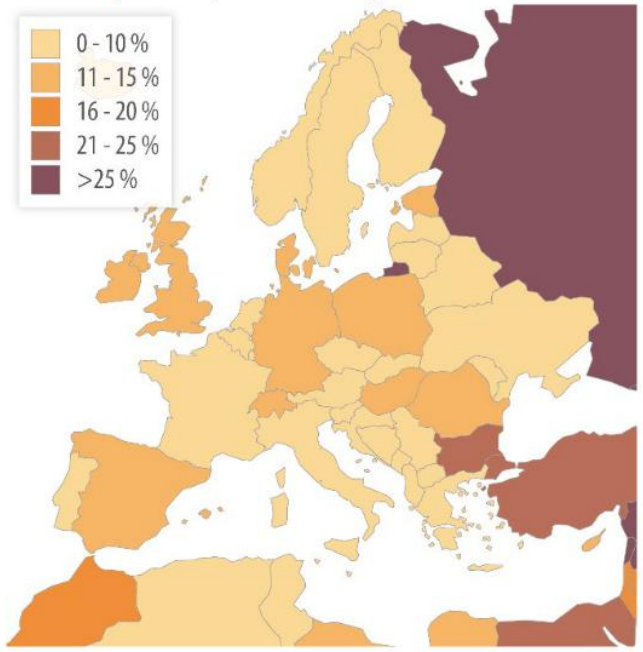


What accounts for inflation? What are its consequences?

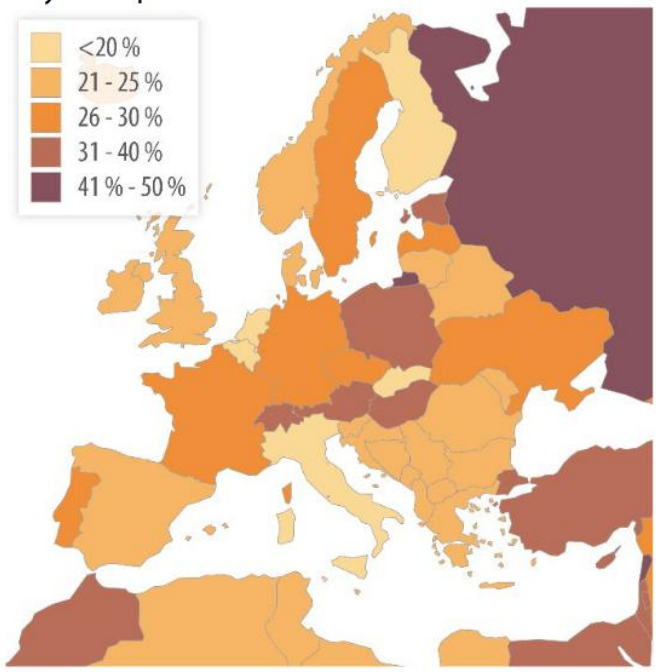
Some Macroeconomics Problems

Lisbon School of Economics & Management
Universidade de Lisboa

Share (%) of the total pre-tax national income received by the top 1 % with highest incomes



Share (%) of the total net personal wealth detained by the top 1 % wealthiest

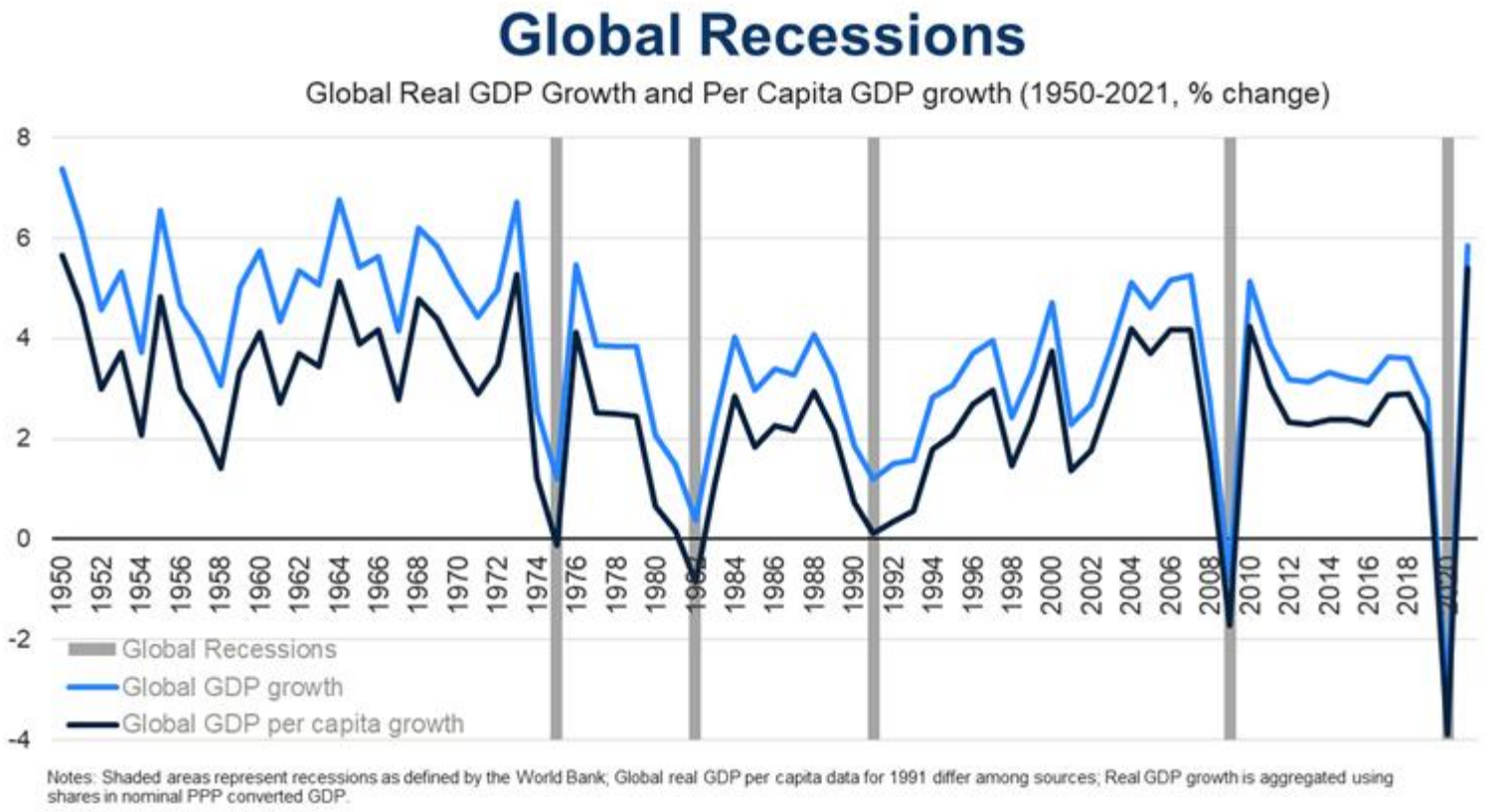


Data source: World Inequality Database, 2022.

Why are some countries more unequal than others, and what consequences may result from this?

Some Macroeconomics Problems

Lisbon School of Economics & Management
Universidade de Lisboa

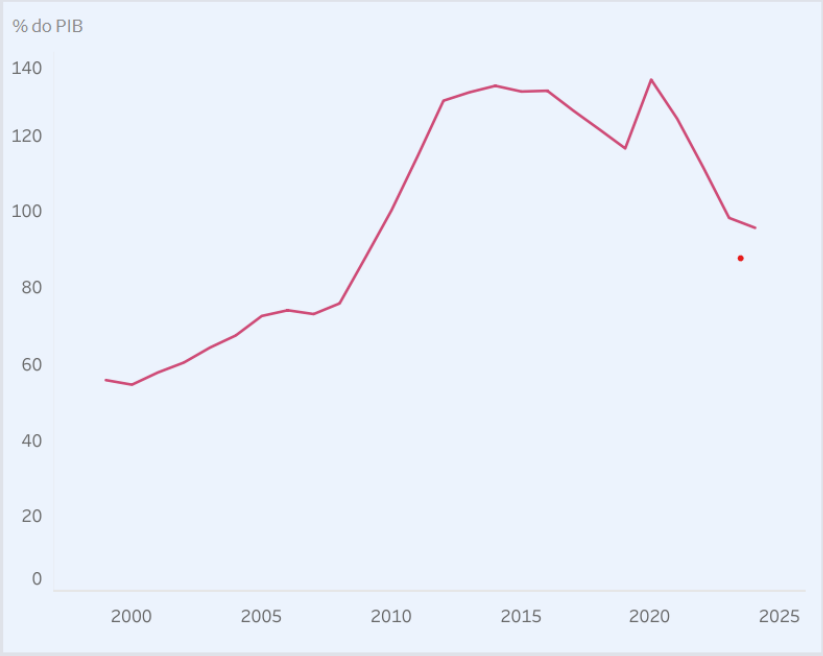


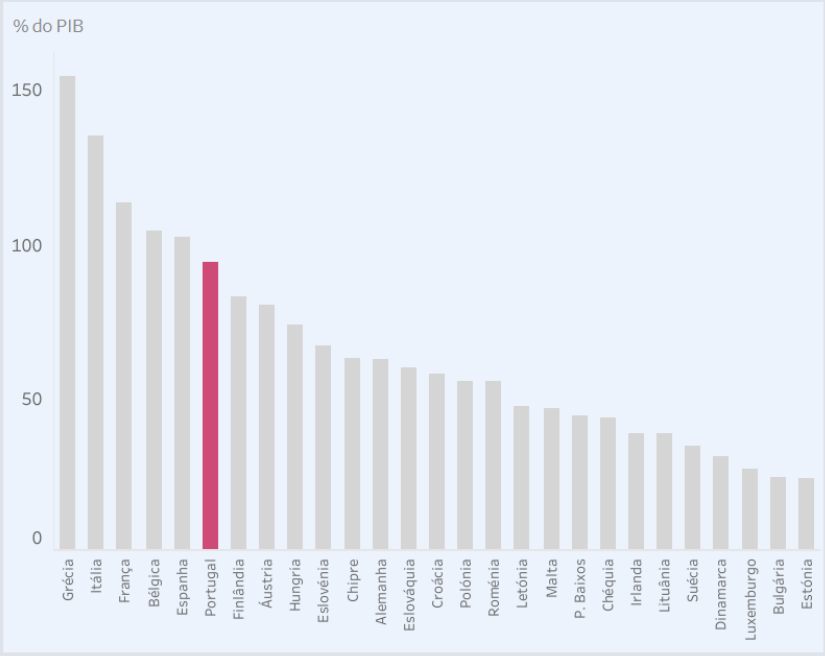
Why do recessions (and boom periods) exist?

What can policymakers can do to prevent (or mitigate) them?

Some Macroeconomics Problems

Lisbon School of Economics & Management
Universidade de Lisboa

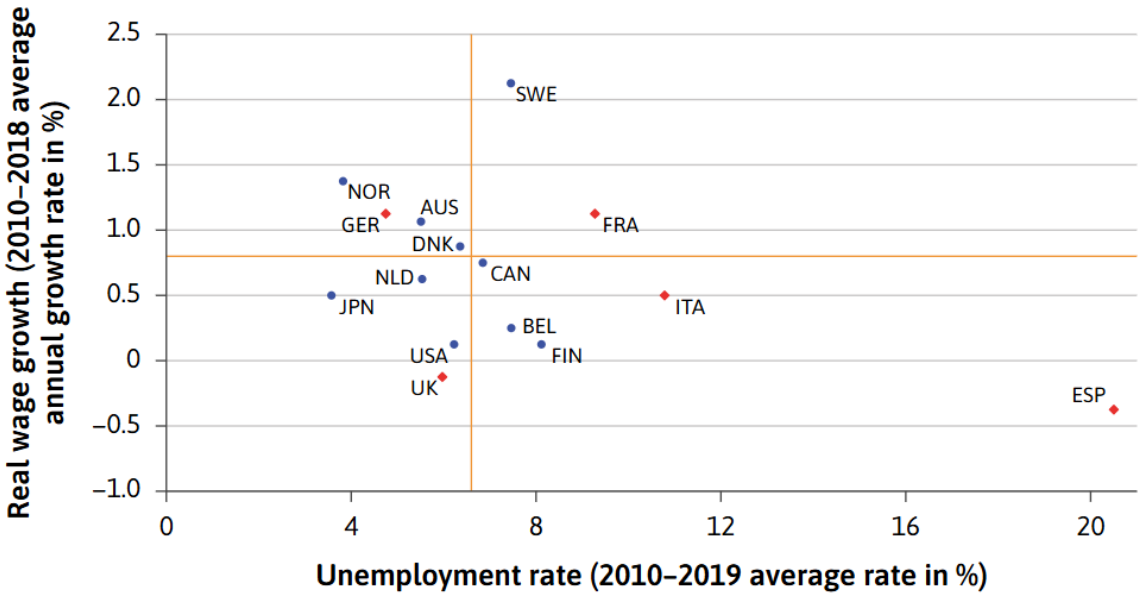




Fonte de recolha dos dados: Base de dados do Banco de Portugal | Base de dados do Eurostat
Última atualização dos dados: 23.10.2025

What causes public debt to vary, and what are its implications?

Some Macroeconomics Problems



FULLSCREEN COPY LINK

Figure 1.1 Unemployment and real wage growth in 15 high-income countries (2010–2019).

OECD. 2021. OECD Statistics; US Bureau of Labor Statistics. 2021. International Labor Comparisons.

Why do labour markets in different economies show different patterns?

What is Macroeconomics?

Lisbon School of Economics & Management
Universidade de Lisboa

Macroeconomics is the branch of economics that studies the aggregate behavior of the economy, analyzing variables such as output, income, employment, unemployment, inflation, and economic growth.

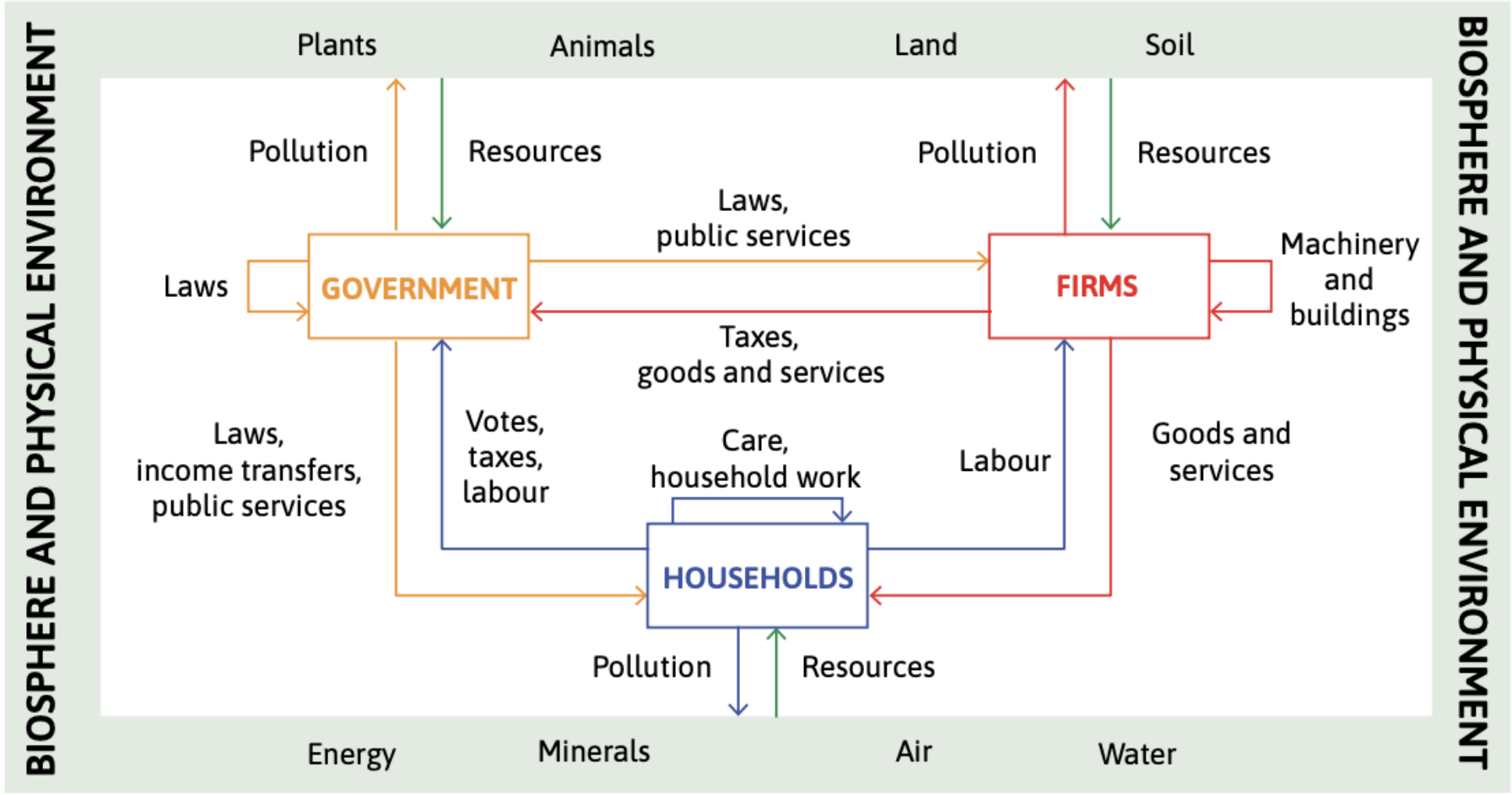
While microeconomics studies the behavior of individual agents or specific markets, macroeconomics examines the relationships and flows between its institutional sectors (households, firms, the government, and the rest of the world) and the economy's aggregate outcomes.

Macroeconomics also studies the ways in which public policies can influence the overall performance of the economy.

Example: How the Bank of England sets the interest rate.
https://www.bankofengland.co.uk/monetary-policy/interest-rates-and-bank-rate

The Macroeconomic Circuit - example

Lisbon School of Economics & Management
Universidade de Lisboa



The Macroeconomic Circuit

Lisbon School of Economics & Management
Universidade de Lisboa

Models are always abstractions/simplifications — what matters is that they are useful.
(For example, the representation shown in the previous slide leaves out the rest of the world or the financial sector, among many other elements.)

Both in a specific market and in macroeconomics, the supply and demand sides interact. In macroeconomics:

Supply side: refers to the set of factors and mechanisms that determine the productive capacity of the economy and the conditions under which production takes place. We will begin its study in the next lecture using the WS–PS model, which focuses in particular on the interaction between the labor market and the product market.

Demand side: refers to the set of spending decisions made by different economic agents and determines the levels of output and income actually achieved in the economy, especially in the short run. We will begin its study in Module 3, with the Keynesian model.

Macroeconomic Indicators

Lisbon School of Economics & Management
Universidade de Lisboa

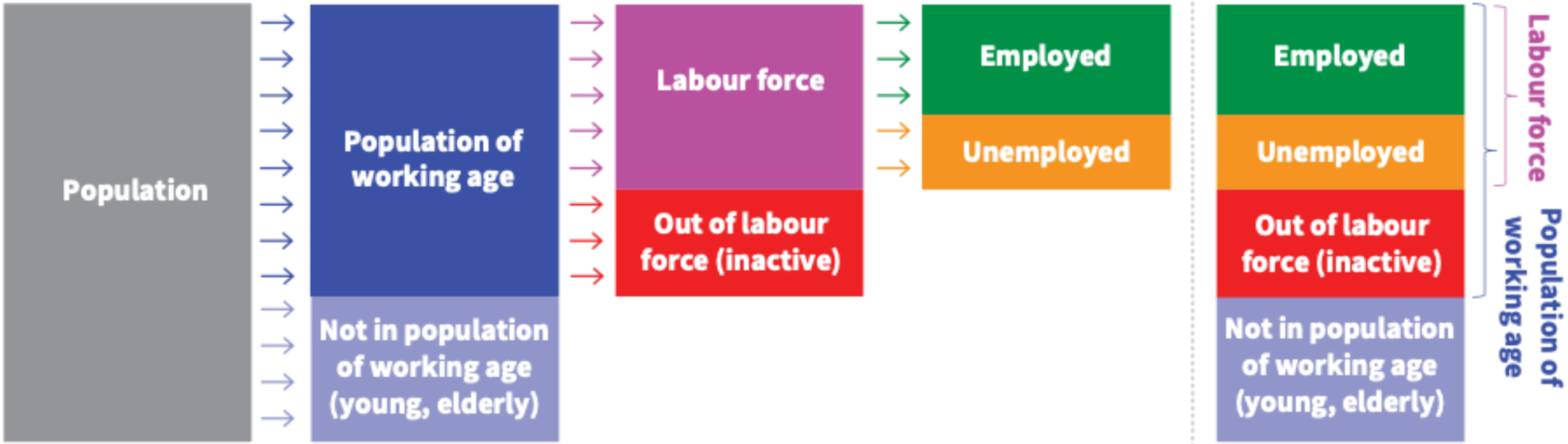
To study the behavior of the economy and develop theories about it, we use variables (macroeconomic magnitudes such as the price level, unemployment, output, etc.), **which we represent and measure through indicators** such as GDP per capita, the inflation rate, the unemployment rate, and so on.

Many of these indicators are more complex than they appear. GDP, for example, involves fundamental problems of aggregation and measurement across very different goods and services.

With regard to the labor market, it is also common to use an important set of indicators and statistics, such as the labor force participation rate, the unemployment rate, and others.

Population and the Labour Market

Lisbon School of Economics & Management
Universidade de Lisboa



Labour market statistics

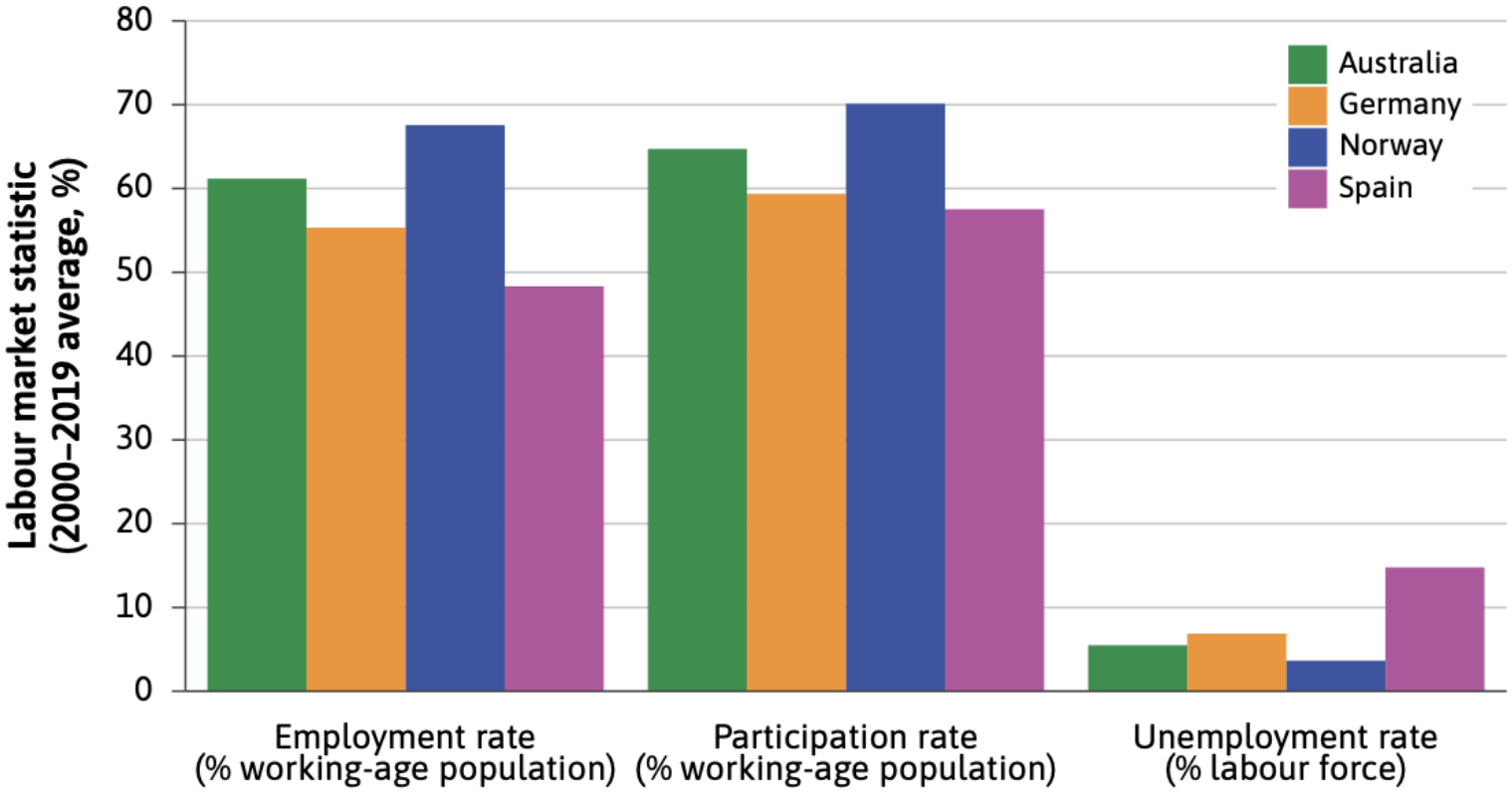
Lisbon School of Economics & Management
Universidade de Lisboa

Labor force participation rate = (Labor force / Working-age population) × 100

Unemployment rate = (Unemployed population / Labor force) × 100

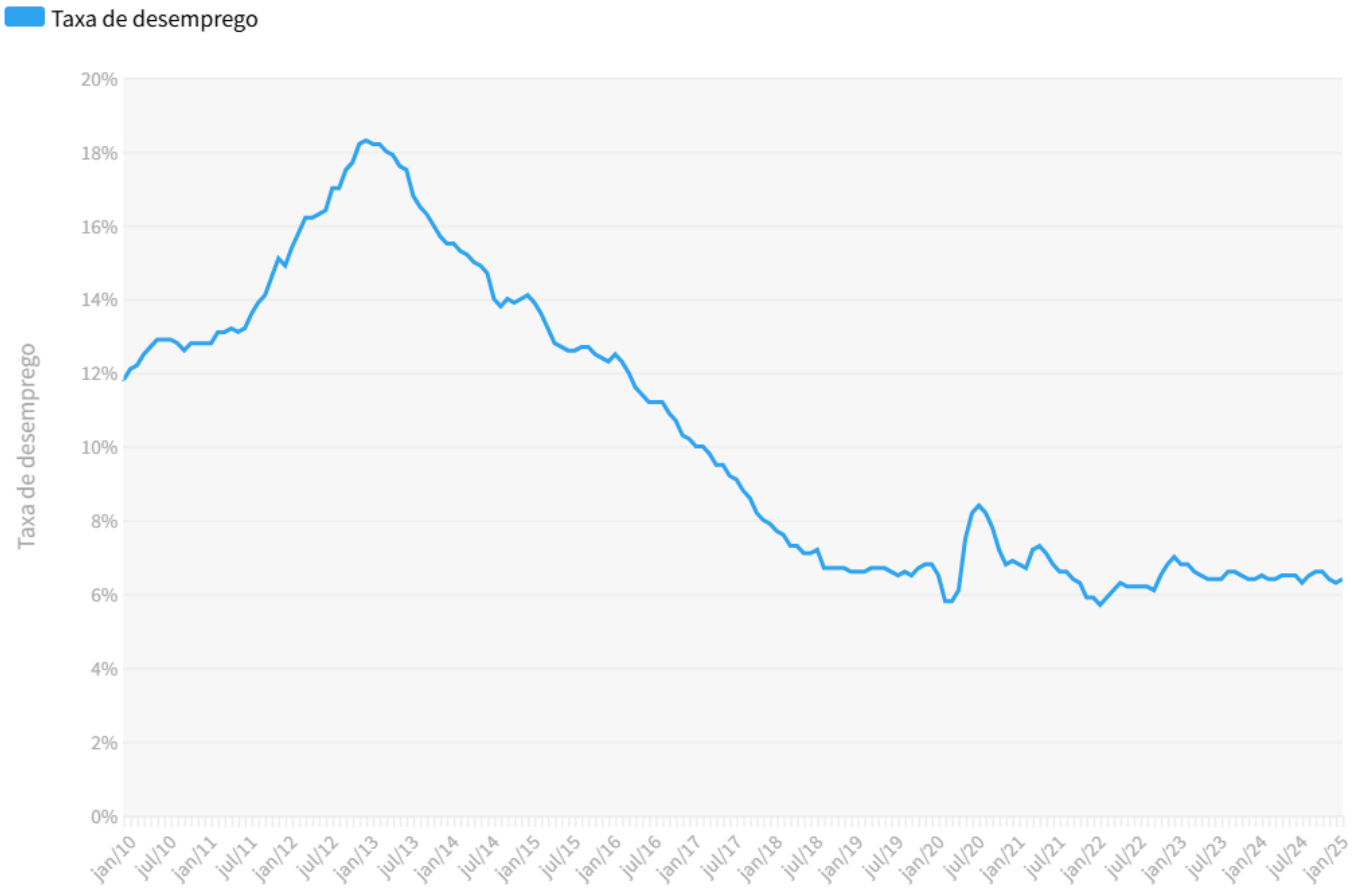
Employment rate = (Employed population / Working-age population) × 100

Performance of different labor markets: examples



Portugal: labour market statistics

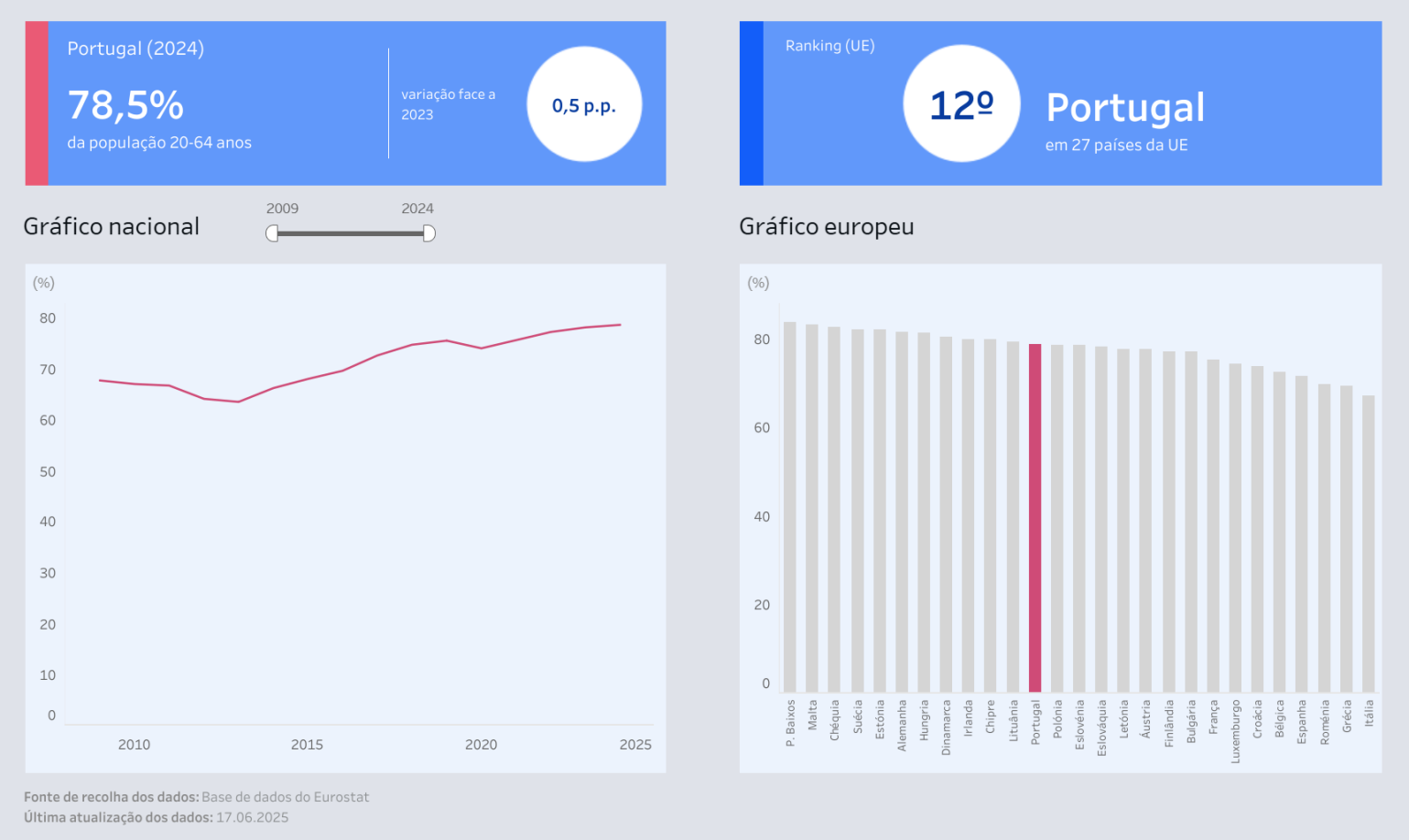
Lisbon School of Economics & Management
Universidade de Lisboa



Fonte: INE

Portugal: labour market statistics

Lisbon School of Economics & Management
Universidade de Lisboa



Employment rate(20-64), Source: Pordata

Eurostat reports major macroeconomic indicators for EU countries

Example: Employment and Unemployment (LFS) https://ec.europa.eu/eurostat/web/lfs/database

Nominal and real wage

Lisbon School of Economics & Management
Universidade de Lisboa

The nominal wage can be defined as the amount, expressed in current monetary units, received as payment in return for work performed.

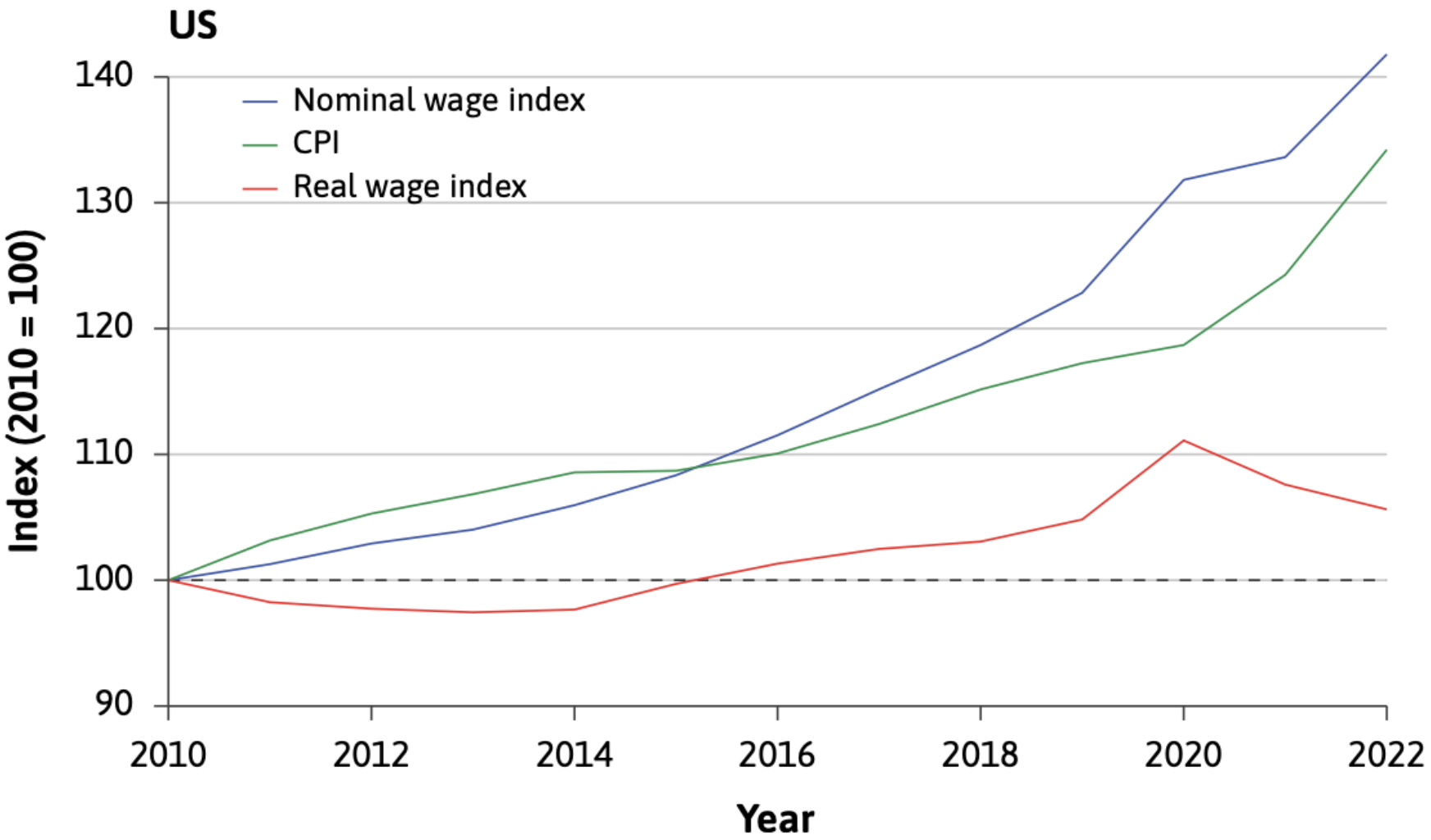
The Consumer Price Index (CPI) is an indicator that represents the evolution of the price of a basket of goods and services representative of households' consumption structure, and it captures the overall evolution of the price level in an economy (inflation).

The real wage is a measure of the effective purchasing power of the nominal wage. It corresponds to the nominal wage adjusted for the effects of inflation.

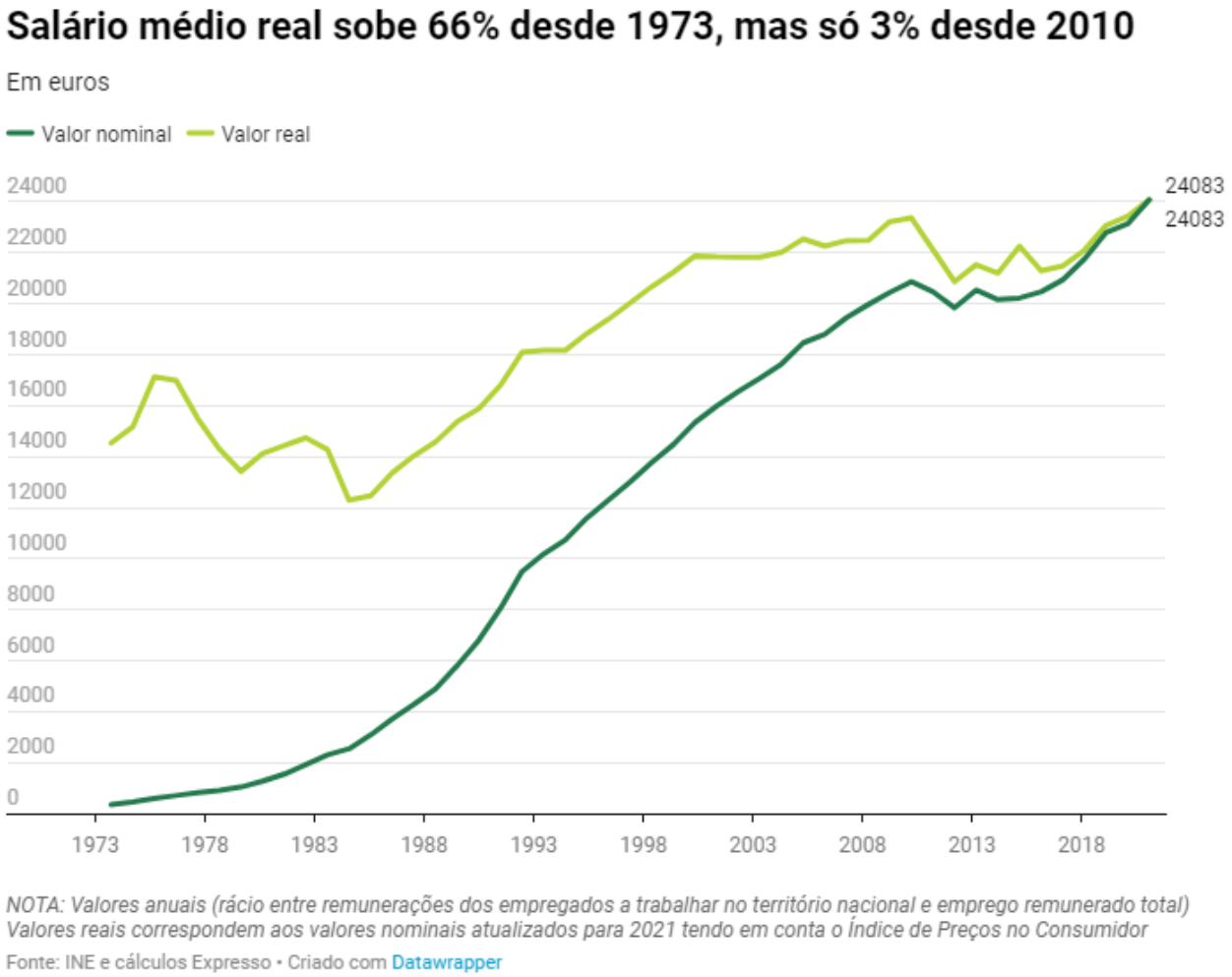
Typically, we have:

Real Wage = (Nominal Wage / CPI) × 100

Nominal and real wage



Portugal: nominal and real wage



Portugal, average nominal and real wage (2021 prices), 1973-2021
Source: Expresso (2021)

Example: is better to earn 2000 euro in Lisbon or 3000 in Paris?

https://www.numbeo.com/cost-of-living/compare_cities.jsp?country1=Portugal&city1=Lisbon&country2=France&city2=Paris&amount=2%2C000.0&displayCurrency=EUR