

PREFACE

This study guide is intended to help students who are studying Macroeconomics at the introductory level at the University of National and World Economy, as well as other higher education institutions teaching similar programs. The contents of the study guide are in line with those of the world's leading textbooks in this field and can serve to test and deepen the acquired knowledge. It is fully consistent with the Macroeconomics syllabus at the University of National and World Economy.

Although macroeconomics may sometimes be challenging, we hope to make it much easier to understand (and maybe even interesting) by combining a variety of study formats with contemporary examples from the real economy which highlight the discussion points that make up the core of macroeconomics today. But students must still be aware that macroeconomics (just like all other branches of social science) is a specialized subject that requires time and effort to learn.

As is to be expected, the guide starts with the fundamentals – the first two units introduce the most important issues that macroeconomics addresses today and the indicators that we use in our study of the economy throughout the rest of the book. We then use a simplified version of the aggregate demand – aggregate supply model of the national economy to give students a general view of both the subject of macroeconomics and the approach to studying it.

After that, we start to dig deeper into how the economy works. First, we look at the market for goods and services (the “real economy”) in the short run through the expenditure equilibrium model. This gives us the foundation we need in order to introduce the multiplier – a key concept that underlies many macroeconomic policy decisions. Speaking of policies, the first major macroeconomic policy – the government's fiscal policy – is studied later in Unit 11.

The next part is dedicated to the monetary sector. Here we explore money, the banking system, the interactions between supply and demand that take place on the money market, and how interest rates are determined. The central bank, its monetary policy and the influence it has over the economy complete this section of the guide. Having studied the goods and

money markets separately, we then proceed to unite them into a single model of the simultaneous equilibrium – the IS-LM model, another one of the workhorses of modern macroeconomics.

Going back to the “real” economy, we then explore the labor market, employment and unemployment, and the other major issue in macroeconomics – inflation. We see the role of the labor market in the determination of economy’s output as well as how unemployment and inflation are related by studying the famous Phillips curve. We finish our journey through macroeconomics with a peek into the long run dynamics of the economy – business cycles and economic growth, and we also take a brief look at the open national economy and how it interacts with the rest of the world.

Each of the 15 units includes a variety of tasks, aimed at helping students capture both fundamental concepts and more advanced ideas. The overview section presents a summary of the most important definitions and relationships in each topic. It is meant to remind readers about the core ideas in the topic and to serve as a quick reference guide and should not be viewed as a substitute to textbook sources. Following this, the “key terms” section requires students to choose the appropriate definition for each of several terms that are essential to understanding the phenomena and the relationships that the unit describes.

Multiple choice questions are always a useful tool to test students’ knowledge and understanding of the content of a particular topic and they make up the next part of each unit. Some of these questions are quite straightforward, while others require additional effort. Thus, this section requires students to continually improve their grasp of the material if they want to do well at this type of task. The “true or false” section contains short statements about important elements of each topic. Students should make sure to read all statements carefully as their truthfulness may sometimes be determined by minor details. This also highlights the care that must be taken when studying macroeconomics.

The final two sections of each unit present students with several problems and discussion tasks. In the Problems section, the students’ knowledge is checked by means of specific numerical and graphical tasks. In order to solve them, students need to apply what has been learned in relation to the

main relationships and dependencies between the different variables of the specific unit. Discussion tasks draw the students' attention to new directions of the respective theoretical concepts and their deeper comprehension, as well as to the application of the acquired knowledge in analyzing real processes and phenomena in the economy.

The answers to all tasks, with the exception of the ones in the Discussion section, are provided at the end of the book. In the answers to the Problems section, a detailed solution is also provided.

We are aware, and students should be too, that this guide does not cover many areas of interest in macroeconomics. But then again, macroeconomics is a very broad subject and cannot be captured completely in just one book or one semester. We strongly encourage students who find it interesting to continue to explore it on their own or to choose other courses in economics for their future studies.

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The individual parts of the study guide have been developed as follows:

Dimitar Damyanov, PhD – Unit 1, 2, 4, 5, 8, 9, 12, 15 (Main topics, Overview, Key terms, Multiple choice questions 1-10), and the respective answers;

Nikolay Velichkov, PhD – Unit 3, 6, 7, 10, 11, 13, 14, 15 (Multiple choice questions 11-25, True or false, Problems, Discussion tasks), and the respective answers.

The authors