

**Economics 31E23000
Macroeconomics: Policy
Aalto University**

**Peter Hans Matthews X310
Tuomas Markkula
Office Hours: After MW Lectures**

Course Description:

This course builds on the traditional intermediate macroeconomics course, to provide students with a more sophisticated, but policy-oriented, perspective on the short and medium run behavior of the OECD economies including, of course, Finland. It includes careful attention to the micro-foundations of macroeconomic relations; a focus on the canonical new Keynesian model, a policy workhorse; an emphasis on labor and financial market institutions and their macroeconomic implications; and a more detailed treatment of international trade in goods, services and assets.

Examination:

Grades will be based on five problem sets (40 points total) and a final exam (60 points). You need to earn a minimum of 50 points to pass the course.

The problem sets will be distributed via myCourses and will be submitted there on five successive Mondays, from 15 January to 12 February. Discussions on Thursdays will be led by Tuomas Markkula and will review the just submitted problem and provide guidance on the next one due, among other things.

You are welcome to bring laptops to look at lecture slides as we discuss them but given the negative externalities (Sana et al, 2013, and others), *for no other purpose*.

Text:

Almost all course reading comes from Wendy Carlin and David Soskice, *Macroeconomics: Institutions, Instability and the Financial System*. Oxford University Press, 2015.

Other readings will be distributed online.

Schedule

08.01 Introduction/Review of Demand Side
Carlin and Soskice, Chapter 1

10.01 Demand Side, Continued
Carlin and Soskice, Chapter 1

11.01 Exercise/Discussion Section

15.01 Labor Markets and Pricing Behavior
Carlin and Soskice, Chapter 2

Janet Yellen, "Efficiency Wage Models of Unemployment," *American Economic Review*, Vol. 74 (1984): 200-205.

Problem Set 1 Due

17.01 Labor Markets and Pricing Behavior, Continued
Carlin and Soskice, Chapter 2

Stephen Nickell, "Unemployment and Labor Market Rigidities: Europe versus North America," *Journal of Economic Perspectives*, Vol. 11, No. 3 (1997): 55-74

18.01 Exercise/Discussion Section

22.01 The Three-Equation (New Keynesian) Model and Policy Implications
Carlin and Soskice, Chapter 3

Problem Set 2 Due

24.01 The Three-Equation Model and Policy Implications, Continued
Carlin and Soskice, Chapter 3

25.01 Exercise/Discussion Section

29.01 Money and Banking
Carlin and Soskice, Chapter 5

Problem Set 3 Due

31.01 Financial Sector and Crises

Carlin and Soskice, Chapter 6

01.02 Exercise/Discussion Section

05.02 The Three Equation Model in Open Economies
Carlin and Soskice, Chapter 9

Problem Set 4 Due

07.02 The Three Equation Model in Open Economies, Continued
Carlin and Soskice, Chapter 9

08.02 Exercise/Discussion Section

12.02 Demand Side, Labor Markets and Pricing in Open Economies
Carlin and Soskice, Chapter 10

Problem Set 5 Due

14.02 Eurozone
Carlin and Soskice, Chapter 12

15.02 Wrap Up!