

Intermediate Macroeconomics II

Description:

After the course students can apply basic macroeconomic models to evaluate macroeconomic trends and risks and to analyse a range of global policy issues. The course covers key macroeconomic concepts and models for short and medium-run: IS-TR-IFM, international trade, international financial markets, AS-AD-model, systemic risks, macroprudential policies.

Credits: 5

Lecturer:

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Teaching assistant:

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Grading:

Exam 60%, Exercises 30 %, Group presentation 10%

Textbook:

"Macroeconomics: a European Text" by Burda and Wyploz (BW), Chapters 7, 11-20

Lectures: 24 hours

Lecture 1, Asset markets (BW7)

Standard asset pricing, bubbles, foreign exchange rate markets

Lecture 2, Short-Run Equilibrium Part I (BW11)

Aggregate demand and goods market, q-theory of investment, nominal and real exchange rates, fiscal multiplier

Lecture 3, Short-Run Equilibrium Part II (BW11)

IS Curve, money demand, Taylor rule, IS-TR model without capital movements, real shocks and monetary policy shocks

Lecture 4, International Capital Flows Part I (BW12)

Interest rate parity condition, capital controls, IS-TR-IFM model for fixed exchange rate and flexible exchange rate regimes, foreign exchange market interventions, the impossible trinity

Lecture 5, Output, Employment, and Inflation (BW13)

Inflation, Phillips curve, Okun's law, aggregate supply on the short and long run, Friedman-Phelp critique, cyclical behavior of mark-ups as microfoundations, underlying inflation, expectations-augmented Phillips curve

Lecture 6, Aggregate Demand and Aggregate Supply I (BW14)

Aggregate demand under fixed exchange rate regime in the short and long run, AS-AD model, expansive fiscal policy, devaluations, fiscal policy

Lecture 7, Aggregate Demand and Aggregate Supply II (BW14)

Aggregate demand under flexible exchange rate regime in the short and long run, AS-AD model, monetary policy, supply and demand shocks

Lecture 8, The Exchange Rate (BW15)

Covered interest rate parity, uncovered interest rate parity, interest rates and exchange rates, monetary policy of open economy, primary current accounts, currency crises

Lecture 9, Demand Management (BW16)

Keynesian and neoclassical views on demand management, costs of inflation, hyperinflations, business cycle

Lecture 10, Fiscal Policy, Debt, Seignorage (BW17)

Fiscal policy, macroeconomic stabilization, budget surpluses and deficits, deficit finance, seignorage, debt stabilization

Lecture 11, Policies for the Long Run (BW18)

Supply side policies, product market policies, taxation, Laffer curve, labour market policy, Beveridge curve

Lecture 12, The Architecture of International Monetary System (BW19)

History of monetary arrangements, Hume mechanism, Bretton-Woods system, IMF, currency crises, the choice of exchange rate regime, monetary unions, N-1 problem

Exercises

3 problem sets, 3 TA session (6 hours)