

## EXTENDED SYLLABUS WITH READING LIST

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**Teaching assistant:**

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**Workload:** The course has 3 learning elements: lectures, exercises, and group work.

Lectures (24 h)

Problem sets (12 h)

Short essays on assigned reading (4 graded out of 6; can be written in pairs).

### Assessment Methods and Criteria:

- Exercises: 30 % of the grading
- Short Essays 20 % of the grading
- Exam: scoring 0-5, 50 % of the grading

Further details below.

**Course Homepage:** <https://mycourses.aalto.fi/course/search.php?search=31E23000>

**Prerequisites:** Intermediate courses in mathematical methods for economics and in econometrics

**Evaluation:** 0 - 5

**Registration for Course:** For course and exam via WebOodi

**Language of Instruction:** English

## Reading list

( \* = required reading )

### Main text:

W. Carlin and D. Soskice (2015) *Macroeconomics: Institutions, Instability, and the Financial System*, Oxford University Press, (CS)

**Lecture 1:** The basic closed economy model (date: Jan. 10, 2022)

\*CS: ch's 1.2.7 (IS-curve), 2, 3

### Assigned reading 1:

Friedman M. (1968) The Role of Monetary Policy, *The American Economic Review*, Vol. 58, No. 1. (Mar., 1968), pp. 1-17,

[https://www.unibas.ch/fileadmin/www/redaktion/witheo/lehre/2009\\_FS/vwl4/doc/chapter8/Friedman\\_AER1968.pdf](https://www.unibas.ch/fileadmin/www/redaktion/witheo/lehre/2009_FS/vwl4/doc/chapter8/Friedman_AER1968.pdf).

Tobin J. (1972) Inflation and Unemployment, *American Economic Review*, vol. 62, No. 1 (March 1972), pp. 1-18, go to the library and get the article from JSTOR (I try to put the address to the website).

You may also want to have a look at Paul Krugman's remarks on how Tobin's article was received in the economics community: <https://krugman.blogs.nytimes.com/2016/09/10/tobin-was-right-implicitly-wonkish/>.

*Essay 1 on assigned reading* due on Monday, January 17, 2022

**Lecture 2:** Monetary policy, basic open economy model (part 1) (date: Jan. 12, 2022)

\*CS: ch's 4, 13.1-4, 9

**Problem set 1:** session date: January 13, 2022

**Lecture 3:** Open Economy: Basic model (part 2), Demand and supply (date: Jan. 17, 2022)

\*CS: ch's 9, 10, 11

**Assigned reading 2:**

Hume D. (1752) Of the balance of trade,  
<http://www.econlib.org/library/LFBooks/Hume/hmMPL28.html>.

Rey H. (2015) Dilemma not Trilemma:  
The Global Financial Cycle and Monetary Policy Independence,  
[http://www.helenerey.eu/AjaxRequestHandler.ashx?Function=GetSecuredDOC&DOCUrl=App\\_Data/helenerey\\_eu/Published-Papers\\_en-GB/ Documents 2015-16/147802013\\_67186463733\\_jacksonholedraftweb.pdf](http://www.helenerey.eu/AjaxRequestHandler.ashx?Function=GetSecuredDOC&DOCUrl=App_Data/helenerey_eu/Published-Papers_en-GB/ Documents 2015-16/147802013_67186463733_jacksonholedraftweb.pdf)

*Essay 2 on assigned reading* due on Monday, January 24, 2022

**Lecture 4:** Aggregate Demand, Introduction to Financial Intermediation (date: Jan. 19, 2022)

\*CS: ch's 1, 5

**Problem set 2:** session date: January 20, 2022

**Assigned reading 3:**

Kueng L. (2018) Excess Sensitivity of High-Income Consumers, Quarterly Journal of Economics, vol.133, pp.1693-1751.

*Essay 3 on assigned reading* due on Monday, January 31, 2022

**Lecture 5:** Financial Markets and Economic Fluctuations (date: Jan. 24, 2022)

\*CS: ch's 5, 6

Bernanke B. (1988) Monetary Policy Transmission: Through Money or Credit?  
<https://www.philadelphiafed.org/-/media/research-and-data/publications/business-review/1988/brnd88bb.pdf>.

**Lecture 6:** Zero lower bound, Slow recovery, Hysteresis (date: Jan. 26, 2022)

\*CS: ch 3.3, 7, 13.5-6, 15.5-7

\*Carlin W and D. Soskice (2018) Stagnant productivity and low unemployment: stuck in a Keynesian equilibrium, Oxford Review of Economic Policy, Volume 34, Numbers 1–2, 2018, pp. 169–194, will be placed at the course website.

**Problem set 3:** session date: January 27, 2022

**Assigned reading 4:**

Blanchard O. (2018) Should We Reject the Natural Rate Hypothesis?, Journal of Economic Perspectives, vo.32, pp.97-120.

*Essay 4 on assigned reading due on Monday, February 7, 2022*

**Lecture 7:** Fiscal policy, Economic policies in currency unions (date: Jan. 31, 2022)

\*CS: ch 12 (12.1-2, 12.5 mostly descriptive material)

**Assigned Reading 5:**

Reconciling risk sharing with market discipline: A constructive approach to euro area reform, CEPR Policy Insight, CEPR Policy Insight No. 91, January 2018, [https://cepr.org/sites/default/files/policy\\_insights/PolicyInsight91.pdf](https://cepr.org/sites/default/files/policy_insights/PolicyInsight91.pdf). You can focus on some specific issue discussed in the report, e.g. on what the Report regards the main problems in the Euro system are.

*Essay 5 on assigned reading due on Monday, February 14, 2020*

**Lecture 8:** Government debt, safe assets (date: Feb. 2, 2022)

\*CS: ch. 14.3-5

\*Portes J. and S. Wren-Lewis (2015) Issues in the Design of Fiscal Policy Rules, Manchester School, vol83, pp.56-86.

**Problem set 4:** session date: February 3, 2022

**Lecture 9:** Economic growth: basic theory (date: Feb. 7, 2022)

\*CS: ch. 8.1-6

Allen R. (2009) VoXEU column “Why was industrial revolution British?” <https://voxeu.org/article/why-was-industrial-revolution-british>.

**Lecture 10:** Endogenous technological change and endogenous growth (date: Feb. 9, 2022)

\*CS: ch. 8.7.

\*Romer, P. Endogenous technological change, Journal of Political Economy, vol.98, Supplement, S71-102. (sections V-VI only cursorily)

**Problem set 5:** session date: February 10, 2022

**Assigned reading 6:**

Gordon, R.J. (2018), Why has economic growth slowed when innovation appears to be accelerating?, NBER wp 24554.

*Essay 6 on assigned reading due on Monday, February 21, 2022*

**Lecture 11:** Creative destruction, stagnating growth, the covid crisis (date: Feb. 14, 2022)

\*CS: ch 8.8

Blanchard, O. (2020), The Covid economic crisis (additional chapter for ``Macroeconomics, 8th edition), September, mimeo.

\*Oulton, N. (2001), Must the Growth Rate Decline? Baumol's Unbalanced Growth Revisited. Oxford Economic Papers, Vol. 53, No. 4, pp. 605-627.

Andersen, T.M. and C.T. Kreiner (2017), Baumol's Cost Disease and the Sustainability of the Welfare State, *Economica*, vol.84, pp. 417-429.

New reading (to be given in February 2022):

**Lecture 12:** Discussion and review (date: Feb. 16, 2022)

**Problem set 6:** session date: February 17, 2022

**ASSESSMENT METHODS**

50% Exam, held on Wednesday February 23, 2022 at 13.00 – 16.00.

(2<sup>nd</sup> Exam held on Friday April 22, 2022 at 14.00-17.00.)

30% Exercises, 6 sets (max grade 5 points per problem set), answers returned to my course pages before the session which for discussion of the problem set (see dates above).

20% 6 Essays (can be written in pairs, 4 essays to be submitted for grading, max grade 5 points per essay), see return dates above.