

EXTENDED SYLLABUS WITH READING LIST

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Teaching assistant:

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2nd half: Rono Nihtinen (email: rono.nihtinen@aalto.fi)

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

Lectures (24 h)

Problem sets (12 h)

Short essays (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. 11, 2021)

*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.

Tobin J. (1972) Inflation and Unemployment, *American Economic Review*, vol. 62, No. 1 (March 1972), pp. 1-8, 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 18, 2021

Lecture 2: Monetary policy, basic open economy model (part 1) (date: Jan. 13, 2021)

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

Problem set 1: session date: January 14, 2021

Lecture 3: Open Economy: Basic model (part 2), Demand and supply (date: Jan. 18, 2021)

*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

Essay 2 on assigned reading due on Monday, January 25, 2021

Lecture 4: Aggregate Demand, Introduction to Financial Intermediation (date: Jan. 20, 2021)

*CS: ch's 1, 5

Problem set 2: session date: January 21, 2021

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, February 1, 2021

Lecture 5: Financial Markets and Economic Fluctuations (date: Jan. 25, 2021)

*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. 27, 2021)

*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 28, 2021

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 8, 2021

Lecture 7: Fiscal policy, Economic policies in currency unions (date: Feb. 1, 2021)

*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. 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 15, 2020

Lecture 8: Government debt, safe assets (date: Feb. 3, 2021)

*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 date: February 4, 2021

Lecture 9: Economic growth: basic theory (date: Feb. 8, 2021)

*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. 10, 2021)

*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 date: February 11, 2021

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 22, 2021

Lecture 11: Creative destruction, stagnating growth, the covid crisis (date: Feb. 15, 2021)

*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.

Lecture 12: Discussion and review (date: Feb. 17, 2021)

Problem set 6: date: February 18, 2021

ASSESSMENT METHODS

50% Exam (open book), held on Friday February 26, 2021 at 13.00 – 17.00.

(2nd Exam to be scheduled.)

30% Exercises, 6 sets (max grade 5 points per problem set)

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