

Syllabus
Principles of Macroeconomics
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Description

This course presents macroeconomics models and concepts in a way that prepares students to analyze real macroeconomic data and issues in the ways used by policy makers, researchers, market analysts, and the media. The focus is on macroeconomic issues and problems at the market, country and regional level. The conceptual frameworks and models covered in the course are presented as tools to understand the macroeconomic and aggregate financial relationships and behaviors, and are the basis for the following course on Intermediate Macroeconomics.

Table of Contents

PART 1. INTRODUCTION, MACROECONOMICS ISSUES AND DATA

- 1.1 Thinking like a macroeconomist (M, chapter 1)
- 1.2 Measuring economic activity (HO, chapter 11; M chapter 2)
- 1.3 Measuring unemployment and inflation (HO, chapter 12; M, chapter 2)
- 1.4 Workers, wages and unemployment

PART 2. LONG-RUN FUNDAMENTALS: ECONOMIC GROWTH, PRODUCTIVITY AND LIVING STANDARDS.

- 2.1 Economic growth, the financial system and business cycles (HO, chapter 13)
- 2.2 Saving, investment, capital formation and growth
- 2.3 International trade, capital flows and the exchange rate
- 2.4 Population, labor force and growth
- 2.5 Technological progress and growth
- 2.6 Asset and financial markets, money, and the Central Bank

PART 3. THE ECONOMY IN THE SHORT RUN: BUSINESS CYCLES AND ECONOMIC FLUCTUATIONS

- 3.1 Aggregate demand and aggregate supply analysis (HO, chapter 14; M, chapter 9)
- 3.2 The financial system and the Central Bank (HO, chapter 15)
- 3.3 Monetary policy and the Central Bank (HO, chapter 16)
- 3.4 Fiscal policy and the Government (HO, chapter 17)
- 3.2 A general framework for static macroeconomic analysis (M, chapters 10 and 11)
- 3.4 The macroeconomics of wage and price rigidity, unemployment and inflation (M, chapter 13)
- 3.3 Open economy macroeconomics (HO, chapter 18; M, chapters 5 and 12)
- 3.5 A general framework for dynamic macroeconomic analysis (M, chapter 14)

PART 4. MACROECONOMIC POLICY: ITS ENVIRONMENT AND INSTITUTIONS

- 4.1 Stabilization policy (M, chapter 15)
- 4.2 Government Spending and Its Financing (M, chapter 16)
- 4.3 Global macrofinancial analysis (IMF current WEO and GFSR)

FINAL REMARKS

Lessons and unresolved issues of Macroeconomics (M, Epilogue)

TEXTBOOKS

Hubbard, Glenn and Patrick O'Brien (2010). *Essentials of Economics*, 2nd. edicion, Prentice Hall. (referred as HO in the table of contents).

Mankiw, N. Gregory (2010). *Macroeconomics*, 7th edition, Worth Publishers. (referred as M in the table of contents).

Physical copies of the textbooks are available at the campus library, and digital copies are available at COPLAN, the Copy Central on campus.

GRADING

There will be up to eight quizzes (20%), to be taken in class or discussion sections, up to six problem sets (10%), two midterm exams (20% each), and a final exam (30%).

ADDITIONAL READINGS

Matthew Shapiro and David Wilcox (1996). "Mismeasurement in the Consumer Price Index. An Evaluation," *NBER Macroeconomics Annual*, 1996.

R. A. Radford (1945). "The Economic Organization of a P.O.W. Camp," *Economica*, November, pp. 189-201.

International Monetary Fund (2012) Balance of Payments Manual.

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=157.0>

Kuttner, Mosser (12) "The monetary transmission mechanism: some answers and further questions". Federal Reserve Bank of New York, Economic Policy Review, May.

<http://www.newyorkfed.org/research/epr/02v08n1/0205kutt.pdf>

International Monetary Fund (2012): "Monetary policy: stabilizing prices and output". Finance and Development, February. <http://www.imf.org/external/pubs/ft/fandd/basics/monpol.htm>

Pesenti, Tille (2000): The economics of currency crisis and contagion: an introduction". Federal Reserve Bank of New York, Economic Policy Review, September.

<http://www.newyorkfed.org/research/epr/00v06n3/0009pese.pdf>

Estrella, Arturo and Frederic Mishkin (1996): "The yield curve as a predictor of US recessions". Federal Reserve Bank of New York, Current Issues in Economics and Finance, Volume 2, Number 7, June. http://www.newyorkfed.org/research/current_issues/ci2-7.pdf

Estrella, Arturo and Mary R. Trubin (2006): "The yield curve as a leading indicator: some practical issues". Federal Reserve Bank of New York, Current Issues in Economics and Finance, Volume 12, Number 5, July/August.

Ashcraft, Adam and Til Schuermann (2008): "Understanding the securitization of subprime mortgage credit". Federal Reserve Bank of New York, Staff Report No.318, March.

Schuermann, Til (2013). "The Fed's stress tests add risk to the financial system". Wall Street Journal Online edition, March 19th.

<http://online.wsj.com/article/SB10001424127887324532004578362543899602754.html>

Bartolini et al (2008): "How economic news moves the markets". Federal Reserve Bank of New York, Current Issues in Economics and Finance, Volume 14, Number 6, August.

http://www.newyorkfed.org/research/current_issues/ci14-6.pdf

European Central Bank: Key dates of the financial crisis (since december 2005).

<http://www.ecb.int/ecb/html/crisis.en.html>

ECONOMIC AND FINANCIAL PRESS

It is required to choose one of the following references, and check it at least once every day along the semester, paying attention to analysis that cover contents or topics presented in the course:

Bloomberg	http://www.bloomberg.com/markets
Financial Times	http://www.ft.com/home/us
New York Times	http://www.nytimes.com/pages/business/international/index.html
Wall Street Journal	http://www.wsj.com/news/markets
Reuters	http://www.reuters.com/finance/markets
The Economist	http://www.economist.com/sections/economics

ECONOMIC AND FINANCIAL DATA

IMF World Economic Outlook Databases (WEO). <http://www.imf.org/external/ns/cs.aspx?id=28>

IMF International Financial Statistics (IFS). <http://elibrary-data.imf.org/FindDataReports.aspx?d=33061&e=169393>

Principal Global Indicators (PGI). <http://www.principalglobalindicators.org/>

Institute of International Finance, emerging markets capital flows data:

<http://www.iif.com/download.php?id=WelTOk1iDbw=>

Banco Central de Chile (BCCh).

PERIODIC REPORTS

IMF World Economic Outlook. <http://www.imf.org/external/ns/cs.aspx?id=29>

IMF Global Financial Stability Report. <http://www.imf.org/external/pubs/ft/gfsr/index.htm>

Federal Reserve Board of Governors (FRBG) Monetary Committee Statements.
<http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

IMF Article IV Consultations Staff Country Reports (US, UK, Germany, Japan, China, Brasil, Chile).
<http://www.imf.org/external/country/> choose the country, and then look for Article IV Staff Reports.

Bank of England Financial Stability Report.
<http://www.bankofengland.co.uk/publications/Pages/fsr/default.aspx>

European Central Bank Financial Stability Review
<http://www.ecb.int/pub/fsr/html/index.en.html>

OECD Economic Outlook.
http://www.oecd.org/topic/0,3373,en_2649_34109_1_1_1_1_37443,00.html

Bank for International Settlements (BIS) Quarterly Review.
http://www.bis.org/publ/qtrpdf/r_qt1009.htm

United Nations Development Program (UNDP) Human Development Report.
<http://hdr.undp.org/en/>

MACROECONOMIC RESEARCH THINK TANKS

International Monetary Fund, Working Papers, Staff Papers, Policy Papers.
<http://www.imf.org/external/publications/pubindadv.htm>

Federal Reserve Board of Governors, Working Papers.
<http://www.federalreserve.gov/econresdata/workingpapers.htm>

New York Federal Reserve, Working Papers. <http://www.newyorkfed.org/>

The Brookings Institution. <http://www.brookings.edu/>

The National Bureau of Economic Research. <http://www.nber.org/>