

Applied Macro and International Economics

This course investigates the macroeconomic environment in which firms operate using case studies. It aims to provide a good grounding in macroeconomic concepts and tools, using specific country experiences. The course is divided into three main sections. The first section develops the basic tools of macroeconomic management, predominantly monetary and fiscal policy. We will use both historic case studies as well as discussions of modern policy for context. The second section will look at macroeconomic issues in developing and emerging economies, covering a variety of development strategies. This section covers several topics such as growth, the choice of exchange rate policies, currency crises and the management of natural resources. In addition, we will spend some time discussing alternative strategies to growth and development that have been followed to understand their success (or lack thereof). In this section, we will try to cover a broad array of developing economies from China and India to Africa. The final section of the course will (briefly) deal with some of the issues facing developed countries in the 21st century, such as the European currency area and issues in Japan and the US.

Note that this class is meant to be an introduction of macro and international economics. 15.014 will be offered in the Spring of 2009 that will build on these issues further, teach some new tools and models and cover more issues in international economics. In addition, 15.012 is a pre-requisite for 15.014.

This class is co-taught by Professors Roberto Rigobon and Tavneet Suri. On any given day, all four sections will be taught by one professor. All sections will therefore cover exactly the same material and have exactly the same set of classes. We have also chosen to organize the teaching assistants for these sections differently to ensure that all the grading is consistent. There are **three** TAs in total for the class. Only **two** of these TAs, Sanjay and David, will hold weekly office hours (times and locations listed below) for students from **all four** sections. The TAs will also hold a review class before the exam (to be scheduled during the semester).

Before each class, you are expected to read at least the relevant case and usually an extra article and/or note. Below is a list of required readings for each class. These are also available in the reading packet. There is also a list of optional readings (organized by class) at the end of the main syllabus. These optional readings are meant for those interested in further reading or for those who want a different reference for the tools and material covered in class. The optional readings will not be in the reading packet – they are meant purely for extra reading (all the articles are available on Lexis Nexis and a reading packet of these optional readings will be available on reserve at the library). In that spirit, there are two optional text books which you can use if you want more detail on any of the theories covered in class. The optional texts are “Macroeconomics”, 6th Edition, by Gregory Mankiw (referred to as M below) and “International Economics: Theory and Policy”, 7th Edition, by Paul Krugman and Maurice Obstfeld (referred to as KO below). Multiple copies of both are available on reserve at the library.

This is a case based class. 25% of your grade will be based on class participation. Another 25% will be based on two short assignments. These are due on **Tuesday 19th February** and **Friday 29th February**, both by **5PM** in the box outside our offices. The remaining 50% of your grade will be based on the final exam. The final exam will be closed book and will be held in class on **Friday 14th March**.

Contact Information

Professors

Roberto Rigobon

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Teaching Assistants

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Friday: 1.00PM to 4.00PM in E53-301 (except Feb. 22nd)

Sanjay Subramanian

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Office Hours: Wednesday: 12.00PM to 2.00PM in E52-508
Thursday: 4.05PM to 6.05PM in E52-460

Jean-Paul L'Huillier

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Course Assistant

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Required Readings

Wed Feb 6: Introduction and the Money Multiplier via Babysitters

Fri Feb 8: Monetary Policy and the Velocity Theory of Money

HBS Case #9-798-048: The German Hyperinflation of 1923

Article (Economist): Bag of Bricks: The Hyperinflation in Zimbabwe

Article (NYT): Zimbabwe's Prices Rise 900%, Turning Staples into Luxuries

Mon Feb 11: Fiscal Policy and The Great Depression

HBS Case #9-391-258: The Great Depression: Causes and Impact (Abridged)

HBS Note #9-705-015: The Case of Expansionary Fiscal Contraction in Ireland in 1980s

Wed Feb 13: The IS-LM Model and its Applications

Fri Feb 15: Growth Models and their Application to Africa

HBR Article #07406: How Fast Can the US Economy Grow

Article (Economist): Economics Focus: The Growth of Growth Theory

Article (Economist): Africa's Strong Growth

Article (Economist): The Right to Good Ideas: Patents and the Poor (*skim*)

Tues Feb 19: Singapore, Productivity and Solow Growth Accounting

HBS Case #9-703-040: Singapore Inc.

Article(WSJ): Singapore Swing: Krugman was Right...

Tues Feb 19: Assignment 1 Due by 5.00PM (in a box in the economics suite on the 4th floor of E52)

Wed Feb 20: Zambia, Natural Resource Dependence

HBS Case #9-792-089: Reconstruction of Zambia

HBS Supp #9-797-056: Reconstruction of Zambia, 1997

Article (Economist): The Paradox of Plenty

Fri Feb 22: The Choice of an Exchange Rate Regime: China

HBS Case #9-706-021: China: To Float or Not to Float? (A)

Article (Economist): Who Wants to be a Trillionaire? China's Foreign Reserves

Mon Feb 25: Game: Currency Crises

HBS Note #9-799-089: Note on Currency Crises

Wed Feb 27: Game: Financial Crises

Eichengreen: How Economists Think About Crises

Fri Feb 29: Trade and Comparative Advantage

Krugman: Is Free Trade Passé?

HBS Note #9-796-184: The Economic Gains From Trade: Theories of Strategic Trade

Fri Feb 29: Assignment 2 Due by 5.00PM (in a box in the economics suite on the 4th floor of E52)

Mon Mar 3: Market Reforms in Chile

HBS Case #9-798-092: Chile: The Latin American Tiger?

Wed Mar 5: Liberalization and the Washington Consensus: India

HBS Case #9-798-065: India on the Move

Article (Economist): Economics Focus: Light and Shade

Article (Economist): Economics Focus: Reading the Tea Leaves

Fri Mar 7: Debt and Foreign Aid in Africa

Article (Economist): Economics Focus: To Give or Forgive

Article (LA Times): Foreign Aid Face Off: Can We End Poverty With Wads of Cash

Article (Economist): Bad Loans Made Good: The IMF and World Bank Meetings

Article (Fin Times): Africa's Three Main Problems and How to Fix Them

Mon Mar 10: European Union, Optimal Currency Areas

Feldstein: The Euro and the Stability Pact

Article (Economist): Transformed

Article (Economist): The New Kids on The Block: Bulgaria and Romania

Article (Economist): An Uncommon Current: The Euro

Wed Mar 12: Issues in Japan and the US

HBS Case #9-706-004: Japan: Deficits, Demography and Deflation

Article (Economist): Ready for a Rout?

Fri Mar 14: Final Exam (Closed Book)

Spring 2008

Class Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
		Feb 6 Babysitters Game		Feb 8 Hyperinflation Monetary Policy
Feb 11 Great Depression Fiscal Policy		Feb 13 IS-LM Model		Feb 15 Africa Growth Models
	Feb 19 Singapore Growth	Feb 20 Zambia Natural Resources		Feb 22 China Exchange Rates
Feb 25 Currency Crises Game		Feb 27 Financial Crises Game		Feb 29 Trade
Mar 3 Chile Market Reforms		Mar 5 India Washington Consensus		Mar 7 Africa Foreign Aid
Mar 10 Europe Currency Areas		Mar 12 Japan, USA		Mar 14 Final Exam

Reminder on Office Hours:

David: Friday 11.00AM to 12.00PM and 1.00PM to 4.00PM

Sanjay: Wednesday 12.00PM to 2.00PM and Thursday 4.05PM to 6.05PM

Optional Readings

- Wed Feb 6: Introduction and the Money Multiplier via Babysitters**
Textbooks: M Chapter 4, KO Chapter 14
- Fri Feb 8: Monetary Policy and the Velocity Theory of Money**
HBS Note #9-797-094: Note on Money and Monetary Policy
Textbooks: M Chapter 4, KO Chapter 14
- Mon Feb 11: Fiscal Policy and The Great Depression**
HBS Note #9-797-075: National Income Accounting
HBS Note #9-797-076: Fiscal Policy: Managing Aggregate Demand
Textbooks: M Chapters 3, 9 and 11, KO Chapter 16
- Wed Feb 13: The IS-LM Model and its Applications**
- Fri Feb 15: Growth Models and their Application to Africa**
HBR Article #07406: How Fast Can the US Economy Grow
Article (Economist): Look to the Future: The War Against AIDS
Article (Economist): New Vaccines for Old Killers: Immunization and the Market
Article (SIEPR): Remarks by Alan Greenspan: Intellectual Property Rights
Textbooks: M Chapters 7 and 8
- Tues Feb 19: Singapore, Productivity and Solow Growth Accounting**
HBS Note #9-794-051: Accounting for Productivity Growth
HBR Article #97-309: How do Economies Grow?
Article (Economist): Singapore's Man With a Plan
Textbooks: M Chapters 7 and 8, KO Chapter 22
- Wed Feb 20: Zambia, Natural Resource Dependence**
Article (Economist): The Copper Phoenix: Mining in Zambia
Article (Economist): Coping with the Copper Boom (Chile)
Article (Economist): Zambia Copper: Tragically Undermined
Textbooks: KO Chapters 10, 17 and 18
- Fri Feb 22: The Choice of an Exchange Rate Regime: China**
Article (Economist): What's to Stop India and China
- Mon Feb 25: Game: Currency Crises**
Article (Economist): The Weakest Link
Article (Economist): Tequila Slammer: The Peso Crisis, Ten Years On
HBS Note #9-705-025: Reading the Balance of Payments
Textbooks: M Chapter 2, 3 and 5, KO Chapter 12
- Wed Feb 27: Game: Financial Crises**
HBS Case #9-798-090: Responding to 21st Century Financial Crises
Textbooks: KO Chapter 22
- Fri Feb 29: Trade and Comparative Advantage**
HBS Note #9-796-184: The Economic Gains From Trade: Comparative Advantage

Mon Mar 3: Market Reforms in Chile

Article (Economist): Augusto Pinochet: The Passing of a Tyrant
Article (Economist): Democratic at Last

Wed Mar 5: Liberalization and the Washington Consensus: India

Article (Economist): India Overheats
Article (Rodrik, 2003): Economic Reform Without Rules of Thumb
Textbooks: KO Chapters 15 and 17

Fri Mar 7: Debt and Foreign Aid in Africa

Article (Economist): Erasing the Scar: Tony Blair's Commission for Africa
Article (Economist): Double-Edged Sword: The Fight Against Corruption
Article (Economist): A Glimmer of Light at Last? Africa's Economy
Article (Economist): The Flicker of a Brighter Future: Business in Africa
Textbooks: M Chapter 15, KO Chapter 22

Mon Mar 10: European Union, Optimal Currency Areas

Article (Economist): Birds of a Feather
Textbooks: M Chapter 12, KO Chapter 20

Wed Mar 12: Issues in Japan and the US

Article (Economist): Forever Young
Article (Economist): In the Long Run We Are All Broke
Textbooks: M Chapter 15

Spring 2008