

**The Fulbright Economics Teaching Program
Fall Semester, 2011**

**MACROECONOMICS
Theory and policy
October 3, 2011 – January 12, 2012**

Course Syllabus

Teaching Team:

Instructors: Chau Van Thanh
Dinh Vu Trang Ngan
Jonathan Pincus
Tutor: Do Thien Anh Tuan

Class Meeting Times

Lectures will be held on Mondays and Wednesdays from 8:30 to 10:00. Discussion classes will be held on Fridays from 8:30 to 10:00.

Office Hours

Teachers will be available for consultation at the times listed below, or by appointment.

	Monday	Tuesday	Wednesday	Thursday	Friday
Chau Van Thanh					
Dinh Vu Trang Ngan		13:30-15:30		13:30-15:30	
Jonathan Pincus					

Course objectives

The course aims to provide students with an understanding of fundamental concepts in macroeconomics and their application to the Vietnamese economy.

Course Description

Macroeconomics studies the behavior of the economy as a whole including the growth of production and consumption and trends in price inflation, interest rates, job creation (and unemployment) and international movements of goods, services and money. Government policies influence the macroeconomy through taxation and spending policies, public sector investment and borrowing, and the central bank's control of the money supply. Macroeconomics is concerned with both long term trends in output and prices and short term adjustments to external and internal shocks.

The course will study four basic sectors: (1) Real Sector; (2) Fiscal Sector; (3) Monetary Sector, and (4) External Sector. The real sector examines the determination of national accounts aggregates, notably, GDP, employment, inflation, aggregate demand and aggregate supply. The fiscal sector analyses fiscal policy, including taxation, public expenditure, government borrowing and public investment. The monetary sector discusses direct and indirect monetary control instruments and the important role of the central bank. The external sector analyses trade of goods and services, external debt, and exchange rate policies.

The approach adopted in this course emphasizes application over theory. We will use concrete examples from Vietnam and other countries to explore core concepts. Students will learn to apply these ideas on their own through worked examples and policy-related assignments.

Assessment

Students are expected to attend all lectures and classes, read the required readings carefully prior to class and actively participate in class discussions. Participation, including attendance and contribution to **class discussions, represents 20 percent** of the final grade.

Students will also take one midterm exam (November 18) and one final exam (January 11, 2012). **Each exam represents 25 percent** of the final grade. More information on the content of the exams will be provided in discussion classes.

Students will also complete **six homework assignments** during the term, with each assignment representing **5 percent of the final grade**. Details on homework assignments will be given in the lectures and discussion classes once the term has begun. Homework assignments must be completed by the due dates as announced in class. Late work will not be accepted.

Students are encouraged to work on homework assignments in groups, but they must write and submit their own individual answers. Please refer to our Student Handbook Guidelines on acceptable and unacceptable collaboration.

Readings

Reading assignments for each lecture are indicated in the course schedule below. Other sources may be assigned as needed. Several of the course readings will be taken from the following texts:

- Paul Krugman and Robin Wells, *Macroeconomics*, Second Edition, Worth Publishers, 2009 (referred to as **KW** in the schedule below).
- David A. Moss, *A Concise Guide to Macroeconomics – What Managers, Executives, and Students Need to Know*. Harvard Business School Press, 2007. (**Moss 2007**).
- Gregory Mankiw, *Macroeconomics*. Worth Publishers, 2007. (**GM 2007**) (*Kinh Tế Vĩ Mô*, Bản dịch của Nhà xuất bản thống kê và Trường Đại học Kinh tế Quốc Dân).

- John Cassidy, *How Markets Fail: The Logic of Economic Calamities*, Farrar, Straus and Giroux, 2009 (**Cassidy 2009**).
- George Cooper, *The Origin of Financial Crises*, Vintage, 2008 (**Cooper 2008**).
- Jonathan Pincus (2011) “Growth in the Long Run,” mimeo.
- José Antonio Ocampo, Codrina Rada and Lance Taylor (2009) *Growth and Policy in Developing Countries: A Structuralist Approach*, Columbia University Press.
- Joseph E. Stiglitz (2010) *Freefall: America, Free Markets and the Sinking of the World Economy*, W.W. Norton. Published in Vietnam as *Roi Tự Do: Nước Mỹ, Các Thị Trường Tự Do và Sự Suy Sụp của Nền Kinh Tế Thế Giới* (in the FETP library).

The other readings listed in the schedule below are:

- **Angus Maddison (2008) “The West and the Rest in the World Economy, 1000-2030,” *World Economics*, 9(4): 75-99.**
- Friedman, Milton, “Inflation and Unemployment,” *Nobel Memorial Lecture*, Dec. 13, 1976 (The University of Chicago, Illinois). (**Friedman 1976**).
- Athanasios Orphanides, “Monetary Policy in Deflation: The Liquidity Trap in History and Practice”, FEDS, Dec. 2003. (**Athanasios Orphanides 2003**).
- World Bank, “Taking Stock,” June 2010. The Vietnamese version can be found at <http://siteresources.worldbank.org/INTVIETNAMINVIETNAMESE/Resources/TSJun2010VieSmall.pdf> (**World Bank 2010**).
- Robert Skidelsky (2010) “The Relevance of Keynes,” *Cambridge Journal of Economics*, 35:1-13.
- Joseph Stiglitz, “Capital Market Liberalization, Economic Growth, and Instability,” *World Development*, 28:6, 2000 (**Stiglitz 2000**).
- Suiwah Leung, “Banking and Financial Sector Reforms in Vietnam,” *ASEAN Economic Bulletin*, 26:1, 2009 (**Leung 2009**).
- Michaël Goujon, “Fighting inflation in a dollarized economy: The case of Vietnam,” *Journal of Comparative Economics*, 24:2006 (**Goujon 2006**).
- Country Report, Economist Intelligence Unit, August 2010 (**EIU 2010**).
- World Economic Outlook Update, International Monetary Fund, July 2010 (**IMF 2010**).

- William Easterly, *The Elusive Quest for Growth*, Chapter 3: “Solow's Surprise: Investment Is Not the Key to Growth,” – “Truy tìm căn nguyên tăng trưởng” Nhà xuất bản lao động xã hội, 2009 (**Easterly 2009**).
- Paul Krugman, “The Myth of Asia’s Miracle.” *Foreign Affairs*, Vol.73, Iss. 6 (1994) (**Krugman 1994**).
- Dwight Perkins, “The Challenges of China’s Growth,” (Henry Wendt Lecture), AEI Press (January 25, 2007). (**Perkins 2007**).
- Easterly, Irwin and Serven, “Walking up the down escalator: Public investment and fiscal stability,” *World Bank Policy Research Working Paper* 4158, 2007 (**Easterly, Irwin and Serven 2007**).
- Kaminsky, Graciela L., Carmen M. Reinhart, Carlos A. Végh. “When it Rains, it Pours: Procyclical Capital Flows and Macroeconomic Policies,” *National Bureau Of Economic Research*, 2004. (**Kaminsky, Reinhart, Végh 2004**).
- Nguyễn Thị Thu Hằng, Đinh Tuấn Minh, Tô Trung Thành, Lê Hồng Giang, Phạm Văn Hà, “Lựa chọn chính sách tỉ giá trong bối cảnh phục hồi kinh tế,” *Báo cáo thường niên kinh tế Việt Nam (VEPR, 2010)*.
- Policy Discussion Paper 4, “Structural change: The only effective stimulus,” Fulbright Economics Teaching Program 2010 (**FETP 2008**).
- Krugman, Paul and Robin Wells (2010) “The Slump Goes On: Why?” *New York Review of Books*, September 30 (**KW 2010**).
- Atish R Ghosh and Jonathan D. Ostry (2009), Choosing an Exchange Rate Regime A new look at an old question: Should countries fix, float, or choose something in between? – (**Atish R Ghosh and Jonathan D. Ostry 2009**).
- Ila PatnaiK and Ajay Shah (2010), Asia confronts the impossible trinity, ADB – (**Ila PatnaiK and Ajay Shah 2010**).
- Gauti B. Eggertsson and Paul Krugman (2010) – Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo approach – (**Gauti B. Eggertsson and Paul Krugman 2010**)

Lecture Schedule and Assigned Readings

Required readings will be made available in Vietnamese, but some of the supplementary readings will only be available in English. The first reading in the list for each lecture is the required reading.

Week	Monday	Wednesday	Friday
1	Oct. 3 Course introduction Lecture 1: National Income Accounting CHAU VAN THANH Readings: 1. Moss 2007 - Chapters 1, 5	Oct. 5 Lecture 2: Balance of payments CHAU VAN THANH Readings: 1. Moss 2007 - Chapter 6 2. KW 2009 – Chapter 18	Oct. 7 FETP Orientation
2	Oct. 10 Lecture 3: Growth in the long run: Historical trends JONATHAN PINCUS Readings: 1. Pincus 2011 2. Maddison 2008	Oct. 12 Lecture 4: Growth in the long run: The Solow Model and growth accounting JONATHAN PINCUS Readings: 1. Pincus 2011 2. Krugman 1994 3.	Oct. 14 Review 1
3	Oct. 17 Lecture 5: Growth in the Long Run Convergence, Divergence and Endogenous Growth JONATHAN PINCUS Readings: 1. Pincus 2011 2. Occampo, Rada and Taylor Chapter 2	Oct. 19 Lecture 6: Growth in the long run: Structuralist models of growth JONATHAN PINCUS Readings: 1. Pincus 2011 2. Occampo, Rada and Taylor Chapter 8	Oct. 21 Review 2
4	Oct. 24 Lecture 7: The real economy DINH VU TRANG NGAN Readings: 1. Moss 2007 Chapter 1 2. GM 2007 Chapter 3	Oct. 26 Lecture 8: Banks, central bank and money DINH VU TRANG NGAN Readings: 1. Moss 2007 Chapter 2 2. GM 2007 Chapters 6, 18	Oct. 28 Review 3
5	Oct. 31 Lecture 9: Business cycles DINH VU TRANG NGAN Readings: 1. Moss 2007 Chapter 3 2. GM 2007 Chapter 8	Nov. 2 Lecture 10: IS-LM Model CHAU VAN THANH Readings: 1. David Spencer/CVT lecturenote	Nov. 4 Review 4
6	Nov. 7 Lecture 12: AS-AD Model CHAU VAN THANH Readings: 1. KW 2009 – Chapter 12	Nov. 9 Lecture 12: Saving and investment DINH VU TRANG NGAN Readings: 1. Easterly, Irwin, Serven 2007	Nov. 11 Review 5

7			Nov. 18 Midterm Exam
8	Nov. 21 Lecture 13: Inflation DINH VU TRANG NGAN Readings: 1. Friedman 1976	Nov. 23 Lecture 14: Monetarism, Rational expectations and structuralism JONATHAN PINCUS Readings: 1. Skidelsky 2010	Nov. 25 Review 6
9	Nov. 28 Lecture 15: Exchange rate complications CHAU VAN THANH Readings: 1. Moss 2007- Chapter 7	Nov. 30 Lecture 16: The open economy – Mundell-Flemming model CHAU VAN THANH Readings: 1. KW 2009 – Chapter 18 2. Ila PatnaiK and Ajay Shah 2010	Dec. 2 Review 7
10	Dec. 5 Lecture 17: Capital flows, BOP and monetary policy CHAU VAN THANH Readings 1. Ocampo, Rada and Taylor, Chapters 5-7	Dec. 7 Lecture 18: Interest rates and exchange rates - Interest rate parity condition and issues of the open economy CHAU VAN THANH Readings: 1. CVT, Capital Liberalization, Speculative Attacks, and Crises	Dec. 9 Review 8
11	Dec. 12 Lecture 19: International Monetary System – Vietnam: fixed or floating exchange rates? CHAU VAN THANH Readings: 1. Atish R Ghosh and Jonathan D. Ostry 2009 2. Barry Eichengreen and Raul Razo-Garcia 2006 3. VEPR, 2010, Chapter 4	Dec. 14 Lecture 20: Deflation and liquidity trap CHAU VAN THANH Readings: 1. Athanasios Orphanides 2003 2. Gaudi B. Eggertsson and Paul Krugman 2010	Dec. 16 Review 9
12	Dec. 19 Lecture 21: Financial liberalization and growth JONATHAN PINCUS 1. Occampo, Rada and Taylor, Chapter 6 2. Stiglitz 2000	Dec. 21 Lecture 22: Macroeconomic Policy Choices JONATHAN PINCUS 1. Occampo, Rada and Taylor, Chapter 7. 3. Caminsky, Rienhardt and Vegh, 2004	Dec. 23 Review 10

13	Dec. 26 Lecture 23: Lessons of 2008 JONATHAN PINCUS Readings: <ol style="list-style-type: none"> 1. Stiglitz 2010, esp. Chapters 1-2 2. Cooper 2008, Chapter 1 	Dec. 28 Lecture 24: Vietnam and macroeconomic instability JONATHAN PINCUS Readings: <ol style="list-style-type: none"> 1. World Bank, Taking Stock, December 2011. 	Dec. 30 Review 11
14		Jan. 11 Final Exam	