

**The Fulbright Economics Teaching Program
Fall Semester, 2014**

MACROECONOMICS

Theory and policy

September 29, 2014 – January 14, 2015

Course Syllabus

Teaching Team

Instructors: Chau Van Thanh
Co-Instructor: Do Thien Anh Tuan
Tutor: Hoang Thi Chinh Thon
Interpreter: Nguyen Quy Tam

Class Meeting Times

Lectures will be held on Mondays and Wednesdays from 8:30 to 10:00. Reviews 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					
Do Thien Anh Tuan		15:00-17:00		15:00-17:00	
Hoang Thi Chinh Thon	15:30-17:00			15:30-17:00	

Course objectives

The course aims to equip students with basic knowledge, analytical and evaluating skills on macroeconomic issues so that they would become more appreciated macroeconomic formulation and implementation process in developing countries including Vietnam. It would help form solid foundation for further application in other applied courses.

The Fulbright School is specialized in Public Policy, therefore, economic analysis with special focus on real world application and study of macro policy impacts will be the center of the course rather than having students learned by heart theoretical concepts and definitions, or remembering schools of thought and unrealistic macroeconomic models.

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 21) and one final exam (January 14, 2015). Each exam represents 25 percent of the final grade. More information on the content of the exams will be provided in discussion classes. Some students will also take converting exam as required.

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. Completed homework must be submitted by 8:20 am on due date. Zero score will be given to late work which still be submitted.

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.

Details on grade structure and homework schedule are as follows:

Grade structure

- Assignment, policy paper: 30%
- Class participation: 20%
- Midterm exam: 25%
- Final exam: 25%

Assignment schedule

	Delivery	Due	Exam
Assignment 1	01/10	15/10	
Assignment 2	15/10	29/10	
Assignment 3	29/10	12/11	

Midterm			21/11/2014
Assignment 4	26/11	10/12	
Assignment 5	10/12	24/12	
Assignment 6	24/12/2014	06/01/2015	
Final term			14/01/2015

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).

The other readings listed in the schedule below are:

- Economic Committee of National Assembly (2012), *Macroeconomic Report 2012 – From Macroeconomic instability to Restructuring*, Tri Thức Publication House (**KTVMVN 2012**), http://ecna.gov.vn/ct/bctk/Lists/BaoCaoThongKe/View_Detail.aspx?ItemID=23
- Economic Committee of National Assembly (2011), *Exchange Rate 2000-2011*, Tri Thức PH (**TGHDVN 2011**), http://ecna.gov.vn/ct/bctk/Lists/BaoCaoThongKe/View_Detail.aspx?ItemID=19
- Economic Committee of National Assembly (2013), *Public debt and sustainability in Vietnam*, Tri Thức PH (**NCVN 2013**), http://ecna.gov.vn/ct/tt/Lists/NghienCuu/View_Detail.aspx?ItemID=17
- George Cooper, *The Origin of Financial Crises*, Vintage, 2008 (**Cooper 2008**).
- Jonathan Pincus (2011) “Growth in the Long Run,” mimeo. (**Pincus 2011**)
- José Antonio Ocampo, Codrina Rada and Lance Taylor (2009) *Growth and Policy in Developing Countries: A Structuralist Approach*, Columbia University Press. (**José Antonio Ocampo, Codrina Rada and Lance Taylor 2009**)
- Joseph E. Stiglitz (2010) *Freefall: America, Free Markets and the Sinking of the World Economy*, W.W. Norton. Published in Vietnam (in the FETP library). (**Stiglitz 2010**)
- Angus Maddison (2008) “The West and the Rest in the World Economy, 1000-2030,” *World Economics*, 9(4): 75-99. (**Maddison 2008**).

- Athanasios Orphanides, “Monetary Policy in Deflation: The Liquidity Trap in History and Practice”, FEDS, Dec. 2003. (**Athanasios Orphanides 2003**).
- Robert Skidelsky, Keynes: The Return of the Master, Public Affairs, 2009 (**Skidelsky 2009**).
- William Easterly, *The Elusive Quest for Growth*, Ch. 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 Bài giảng), 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, “Exchange policy options in recovery” *Vietnam economic annual report (VEPR, 2010)*
- Krugman, Paul and Robin Wells (2010) “The Slump Goes On: Why?” *New York Reviews 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**)
- Kosh Mansori (2011) What Really Caused the Eurozone Crisis? *The Street Light* (blog) <http://streetlightblog.blogspot.com>, September 22. (**Kosh Mansori 2011**)
- George Soros (2012) “The Tragedy of the European Union and How to Resolve It,” *New York Review of Books*, September 27,

<http://www.nybooks.com/articles/archives/2012/sep/27/tragedy-european-union-and-how-resolve-it/>. (George Soros 2012)

- FETP (2012) “Structural Reform for Growth, Equity and National Sovereignty, Discussion Paper, January 20, <http://www.fetp.edu.vn/en/policy-papers/discussion-papers/structural-reform-for-growth-equity-and-national-sovereignty/>. (FETP 2012)
- FETP (2013) “Unplugging Institutional Bottlenecks to Restore Growth.” Discussion Paper, August 15. Available at <http://www.fetp.edu.vn/en/policy-papers/discussion-papers/unplugging-institutional-bottlenecks-to-restore-growth/> (FETP 2013)
- Barry Eichengreen and Andrew K. Rose (2011) Abandoning a Fixed Exchange Rate for Greater Flexibility. (Barry Eichengreen and Andrew K. Rose 2011)
- Claessens S. and Ghosh S. R. (2012) “Capital Flow Volatility and Systemic Risk in Emerging Markets: The Policy Toolkit.” (Claessens and Ghosh 2012)
- Krugman P., Obstfeld M., and Melitz M. (2011) International Economics: Theory and Policy, 9th Edition. (KOM 2011)
- Philip R. Lane (2012) “The European Sovereign Debt Crisis”. Journal of Economic Perspectives. Volume 26, Number 3, Summer 2012, p.49-68. (Philip R. Lane 2012)

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	Sept. 29 Lecture 1: Course introduction CHAU VAN THANH Readings:	Oct. 1 Lecture 2: Measuring the economy CHAU VAN THANH Readings: 1. Moss 2007 - Chapters 1, 5	Oct. 3 FETP Orientation
2	Oct. 6 Lecture 3: National Income Accounting – The Simple Macroeconomic Model CHAU VAN THANH Readings: 1. Moss 2007 Ch. 1 2. GM 2007 Ch. 3	Oct. 8 Lecture 4: Fiscal Policy DO THIEN ANH TUAN Readings: 1. Moss 2007 - Ch. 3 2. Easterly, Irwin and Serven 2007 3. KTVMVN 2012 – Ch. 2 NCVN 2013	Oct. 10 Review 1
3	Oct. 13 Lecture 5: Banks, central bank and money	Oct. 15 Lecture 6: Monetary Policy DO THIEN ANH TUAN	Oct. 17 Review 2

	<p>DO THIEN ANH TUAN</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Moss 2007 Chapter 2 2. GM 2007 Chapters 4, 18 	<p>Readings:</p> <ol style="list-style-type: none"> 1. Moss 2007 Ch. 2, 3 and 4 2. GM 2007 Ch. 4, 18 3. KTVMVN 2012 – Ch. 3 	
4	<p>Oct. 20 Lecture 7: IS-LM Model and Macroeconomic Policy CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. David Spencer/CVT lecture note 	<p>Oct. 22 Lecture 8: AS-AD Model: Macroeconomic Fluctuation – Output, employment, interest rate and Inflation CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. KW 2009 – Ch. 12 2. KTVMVN 2012 – Ch. 5 	<p>Oct. 24 Review 3</p>
5	<p>Oct. 27 Lecture 9: Savings, Investment and financial system Do Thien Anh Tuan</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Easterly, Irwin, Serven 2007 2. KW 2009 – Ch. 10 	<p>Oct. 29 Lecture 10: Business Cycle Do Thien Anh Tuan</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Moss 2007 Ch. 3 2. GM 2007 Ch. 9 và 19 	<p>Oct. 31 Review 4</p>
6	<p>Nov. 3 Lecture 11: National Income Accounting and Balance of Payment CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Moss 2007 - Ch. 1, 5 and 6 	<p>Nov. 5 Lecture 12: Growth in the Long run – Historical Trends (1) CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Pincus 2011 2. Maddison 2008 	<p>Nov. 7 Course Consolidation</p>
7	<p>Nov. 10 Lecture 13: Growth – the Solow Model and Growth Accounting (2) CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Pincus 2011 2. Krugman 1994 3. Perkins 2007 4. KTVMVN 2012 – Ch. 6 	<p>Nov. 12 Lecture 14: Growth – Convergence, Divergence and Endogenous Growth (3) CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Pincus 2011 2. Occampo, Rada and Taylor Ch. 2 3. Easterly 2009 	<p>Nov. 14 Review 6</p>
8	<p>Nov. 21 AM: Midterm Exam – PM: Converting Exam</p>		
9	<p>Nov. 24 Lecture 15: Macroeconomics For Open Economy – Exchange Rate and BOP CHAU VAN THANH</p> <p>Readings:</p>	<p>Nov. 26 Lecture 16: Exchange rate complications CHAU VAN THANH</p> <p>Readings:</p> <ol style="list-style-type: none"> 1. Moss 2007- Chapter 7 	<p>Nov. 28 Review 7</p>

	1. Moss 2007 - Ch. 6 2. KW 2009 – Ch. 18 KTVMVN 2012 – Ch. 4	2. TGHĐVN 2011	
10	Dec. 1 Lecture 17: IS-LM-CM Model and Stabilization Policy CHAU VAN THANH Readings: David Spencer/CVT lecture note	Dec. 3 Lecture 16: The Impossible Trinity CHAU VAN THANH Readings: 1. KW 2009 – Chapter 18 2. Ila PatnaiK and Ajay Shah 2010	Dec. 5 Review 8
11	Dec. 8 Lecture 19: Capital flows, BOP and macroeconomic policy DO THIEN ANH TUAN Readings 1. Ocampo, Rada and Taylor, Chapters 5, 6, 7 2. Kaminsky, Reinhart, Végh 2004 3. Claessens and Ghosh 2012	Dec. 10 Lecture 20: Interest rates and exchange rates - Interest rate parity condition and issues of the open economy DO THIEN ANH TUAN Readings: 1. CVT, Capital Liberalization, Speculative Attacks, and Crises 2. KOM 2011 Ch.15, 16.	Dec. 6 Review 7
12	Dec. 15 Lecture 21: International Monetary System – Vietnam: fixed or floating exchange rates? DO THIEN ANH TUAN Readings: 1. Atish R Ghosh and Jonathan D. Ostry 2009 2. Barry Eichengreen and Andrew K. Rose (2011) 3. VEPR, 2010, Chapter 4 4. TGHĐVN 2011	Dec. 17 Lecture 22: The Eurozone Crisis DO THIEN ANH TUAN Reading: 1. Kosh Mansori (2011) 2. George Soros (2012)	Dec. 13 Review 8
13	Dec. 22 Lecture 23: Deflation and liquidity trap CHAU VAN THANH Readings: 1. Athanasios Orphanides 2003 2. Gaudi B. Eggertsson and Paul Krugman 2010	Dec. 24 Lecture 24: Six Debates on Macroeconomic Policy CHAU VAN THANH Reading: GM 2012 Ch. 23	Dec. 26 Off
14	Dec. 29 Lecture 25: the Cutting of US QE and East Asia Exchange Rate CHAU VAN THANH Readings:	Dec. 31 Lecture 26: Challenging the dollar: Will Yuan Be The Number 1 International Currency? CHAU VAN THANH Readings:	Jan 2nd Off

	1. Jeffrey Frankel 2014	Jeffrey Frankel 2014	
15	Jan. 5 Lecture 27 Lesson from the 2008 Crisis CHAU VAN THANH Readings: 2. Stiglitz 2010, esp. Ch. 1 Cooper 2008, Ch. 1	Jan. 7 Lecture 28: Vietnam and macroeconomic instability CHAU VAN THANH Readings: 1. FETP 2012 2. Skidelsky 2009	Jan. 9 Review 11: Review Entire Course
16		Jan. 14 Final Exam	