

**The Fulbright Economics Teaching Program
Fall Semester, 2015**

**MACROECONOMICS
Theory and policy
October 5, 2015 – January 20, 2016**

Course Syllabus

Teaching Team

Instructors: James Riedel, Chau Van Thanh, Do Thien Anh Tuan
Tutor: Tran Dang Nhan
Interpreter: Huynh Trung Dung

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
James Riedel					
Chau Van Thanh					
Do Thien Anh Tuan		15:00-17:30		15:00-17:30	
Tran Dang Nhan					

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 27, 2015) and one final exam (January 20, 2016). 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 8:20AM 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	7/10	21/10	
Assignment 2	21/10	4/11	
Assignment 3	4/11	18/11	
Midterm			27/11/2015
Assignment 4	2/12	16/12	
Assignment 5	16/12	30/12	

Assignment 6	30/12/2015	13/01/2016	
Final term			20/01/2016

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).
- Paul R. Krugman, Maurice Obstfeld, and Marc J. Melitz, *International Economics: Theory and Policy*, Ninth Edition, Pearson Publisher, 2012. (**KOM 2012**)

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**)
- Pham and Riedel (2013) “Confronting the Macroeconomic Challenges Facing Vietnam.” (**Pham and Riedel 2013**)
- 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**).
- Jeffrey Frankel, "Nominal GDP Targeting for Middle-Income Countries," *Central Bank Ôn tập*, September 2014. HKS RWP 14-033 (**Frankel 2014, NGDPT**).
- Geert Almekinders, Satoshi Fukuda, Alex Mourmouras, Jianping Zhou, 2015, “ASEAN Financial Integration”, IMF Working Paper, WP/15/34. (**Greert, S., 2015**).
- Nasha Ananchotikul, Shi Piao and Edda Zoli, 2015, “Drivers of Financial Integration – Implications for Asia”, IMF Working Paper, WP/15/160. (**Nasha, S., 2015**).
- Qianying Chen, Andrew Filardo, Dong He, and Feng Zhu, 2015, “Financial Crisis, US Unconventional Monetary Policy and International Spillovers”, IMF Working Paper, WP/15/85. (**Qianying, A., 2015**).
- IMF (2013), “The International Monetary System: Where Are We and Where Do We Need to Go?” Prepared by Rakesh Mohan, Michael Debabrata Patra and Muneesh Kapur. WP/13/224. (**IMF 2013**)
- ECB (2011), “The International Monetary System After the Financial Crisis.” Prepared by Ettore Durrucchi and Julie McKay. Occasional Paper Series No. 123/ Feb 2011. (**ECB 2011**)
- IMF (2014), “Annual Report on Exchange Arrangements and Exchange Restrictions.” (**IMF 2014**)
- Jeffry Frieden (2006), “Globalization and Exchange Rate Policy.” (**Frieden 2006**)

- Massa, Keane, and Kennan (2012), “The Eurozone crisis and developing countries,” Overseas Development Institute, London, Working Paper 345. (**Massa, Keane, and Kennan 2012**)
- Harvard U. Press (2014), “The European Financial Crisis: Analysis and a Novel Intervention.” (**Harvard U. Press 2014**)
- WB (2012), “Global Development Financial: External Debt of Developing Countries.” (**WB 2012**)
- UNCTAD (2008), “Domestic and External Public Debt in Developing Countries,” Discussion Paper No. 188. (**UNCTAD 2008**)
- Neely (1999), “An Introduction to Capital Controls” Federal Reserve Bank of St. Louis. (**Neely 1999**)
- Fernández et al. (2015), “Capital Control Measures: A New Database” IMF Working Paper WP/15/80. (**Fernández et al. 2015**)
- Cordero and Montecino (2010), “Capital Controls and Monetary Policy in Developing Countries,” Center for Economic and Policy Research. April 2010. (**Cordero and Montecino 2010**)
- Husain (2006), “To Peg or Not to Peg: A Template for Assessing the Nobler,” IMF Working Paper WP/06/54. (**Husain 2006**)

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	5/10 Lecture 1: Introduction CHAU VAN THANH (CVT) Readings: Lecture notes	7/10 Lecture 2: Measuring the Economy CVT Readings: 1. Moss 2007 - Ch. 1 và 5 2. Mankiw 2012 – Ch. 10 và 11	9/10 Introduction about FETP
2	12/10 Lecture 3: Macro Framework JAMES RIEDEL (JR) Readings: 1. JR Notes on Macroeconomic Framework	14/10 Lecture 4: National Income and Balance of Payments Accounting JR Readings: 1. KOM Ch.13 2. Moss, Ch.1 3. “Exporting to Mars” <i>The Economist</i> , November 12, 2011	16/10 Review 1 CVT
3	19/10	21/10	23/10

	Lecture 5: Exchange Rate: Definitions and Data JR Readings: 1. KOM Ch.13 2. “The Big Mac Index,” The Economist, July 29, 2011	Lecture 6: Theories of Exchange Rate Determination (I) JR Readings: 1. KOM Ch.14 2. Moss Ch.6	Review 2 DTAT
4	26/10 Lecture 7: Theories of Exchange Rate Determination (II) JR Readings: 1. KOM 14 Ch.14	28/10 Lecture 8: Money and the Interest Rate JR Readings: 1. KOM Ch.15 2. Moss Ch. 2, 3, 4	30/10 Review 3 DTAT
5	2/11 Lecture 9: Money and the Price Model JR Readings: 1. KOM 16	4/11 Lecture 10: Money and Prices in the Long-run JR Readings: 1. KOM Ch.16 2. K. Rogoff, “The Purchasing Power Parity Puzzle,” <i>Journal of Economic Literature</i> , June 1996	6/11 Review 4 DTAT
6	9/11 Lecture 11: Macro Equilibrium in an Open Economy: The AD-DD Model JR Readings: 1. KOM Ch. 17	11/11 Lecture 12: Macro Equilibrium: The IS-LM Model JR Readings: 1. Mankiw Ch. 12 &13	13/11 Review 5 CVT
7	16/11 Lecture 13: Fixed versus Floating Exchange Rate JR Readings: 1. KOM Ch. 18	18/11 Lecture 14: The Impossible Trinity JR Readings: 1. Pham and Riedel 2013	20/11 Review 6 CVT
8	23/11 Off	25/11 Off	27/11 Sáng: Mid-term Exam Chiều: Converting Exam
9	30/11 Lecture 15: History of the International Monetary System DO THIEN ANH TUAN (DTAT) Readings: 1. KOM 2012, Ch. 19. 2. Atish R Ghosh and Jonathan D. Ostry 2009 3. Barry Eichengreen and Andrew K. Rose 2011	2/12 Lecture 16: Choosing an Exchange Rate Regime DTAT Readings: 1. KOM 2012, Ch. 18. 2. IMF 2014 3. Frieden 2006	4/12 Review 7 DTAT

	4. IMF 2013 5. ECB 2011		
10	7/12 Lecture 17: Deflation and Liquidity Trap CVT Readings: 1. Athanasios Orphanides 2003 2. Gaudi B. Eggertsson and Paul Krugman 2010	9/12 Lecture 18: The Euro Crisis DTAT Readings: 1. Kosh Mansori 2011 2. George Soros 2012 3. Philip R. Lane 2012 4. Massa, Keane, and Kennan 2012 5. Harvard U. Press 2014.	11/12 Review 8 DTAT
11	14/12 Lecture 19: Financial Globalization: Cost and Benefits CVT Readings: 1. Greert, S., 2015 2. Nasha, S., 2015	16/12 Lecture 20: Emerging Markets Financial Crises CVT Readings: 1. Qianying, A., 2015	18/12 Review 9 CVT
12	21/12 Lecture 21: Debt Crises in Developing Countries DTAT Readings: 1. KOM 2012, Ch. 22. 2. WB 2012. 3. UNCTAD 2008.	23/12 Lecture 22: Capital Controls DTAT Readings: 1. Fernandez et al. 2015 2. Neely 1999 3. Cordero and Montecino 2010	25/12 Off
13	28/12 Lecture 23: Monetary Policy in Emerging Market Countries CVT Readings: 1. Frankel 2014, NGDPT	30/12 Lecture 24: Capital Flows, BOP, and Macroeconomic Policy – The Case of China CVT Readings: 1. Ocampo, Rada and Taylor 2009, Ch.5-7 2. Case: Fang Gang 2010, China's Monetary Sterilization.	1/1/2016 Off
14	4/1 Lecture 25: Six Debates on Macro Policy CVT Readings: 1. GM 2012 Ch. 23	6/1 Lecture 26: EB-IB: The Case of Vietnam CVT Readings: 1. Perkins (Economics of Development, Managing an Open Economy, Ch. 21). 2. IMF, WB (2014, 2015) Data on Vietnam.	8/1 Review 10 CVT
15	11/1 Lecture 27: Macro Stabilization Policy in Vietnam DTAT Readings: 1. FETP 2012, 2013 2. Skidelsky 2009	13/1 Lecture 28: To Peg or not to Peg: Vietnam DTAT Readings: 1. KOM (2012), Ch. 18. 2. Husain (2006)	15/1 Review 11 CVT

		3. ECNA (2014)	
16	18/1	20/1 Final Exam	