

**The Fulbright Economics Teaching Program  
Fall Semester, 2010**

**MACROECONOMICS**

**Theory and policy**

October 5, 2010 – January 19, 2011

**Course Syllabus**

**Teaching Team:**

Instructors: Chau Van Thanh  
Dinh Vu Trang Ngan  
Jonathan Pincus

Tutor: Doan Viet Hung

**Class Meeting Times**

Lectures will be held on Tuesdays and Thursdays from 8:30 to 10:00. Discussion classes will be held on Fridays from 15:15 to 16:45.

**Office Hours**

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

	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
Chau Van Thanh	15:00–16:30		15:00–16:30		
Dinh Vu Trang Ngan		15:0-16:00		15:00-16:00	13:30 - 15:00
Jonathan Pincus	15:00–16:30		15:00–16:30		
Doan Viet Hung		17:00– 8:30		17:00– 8:30	

**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 26) and one final exam (January 19, 2011). Each exam represents 30 percent of the final grade. More information on the content of the exams will be provided in discussion classes.

Students will also complete four 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**).
- 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**).
- Hyman P. Minsky, *Stabilizing an Unstable Economy*, McGraw-Hill 2008 (**Minsky 2008**)

The other readings listed in the schedule below are:

- 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, *Keynes: The Return of the Master*, Public Affairs, 2009 (**Skidelsky 2009**).
- 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)**.

### **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.

## CLASS SCHEDULE

Week	Tuesday	Thursday	Friday
1	<p><b>Oct. 5</b> <b>Lecture 1: National Income Accounting</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 1, 5 2. KW 2009 – Ch. 7</p>	<p><b>Oct. 7</b> <b>Lecture 2: Balance of payments</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 6 2. KW 2009 – Ch. 18</p>	<p><b>Oct. 8</b> Review 1</p>
2	<p><b>Oct. 12</b> <b>Lecture 3: Business Cycle Indicators</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. EIU Country Report 2. IMF Outlook Update (2010)</p>	<p><b>Oct. 14</b> <b>Lecture 4: Black holes in Vietnam's national accounts</b> <b>JONATHAN PINCUS</b></p> <p>Readings: 1. World Bank, "Taking Stock [Diem Lai]," June 2010.</p>	<p><b>Oct. 15</b> Review 2</p>
3	<p><b>Oct. 19</b> <b>Lecture 5: Growth in the Long Run</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. Easterly 2009, Ch. 3 2. KW 2009 – Ch. 9</p>	<p><b>Oct. 21</b> <b>Lecture 6: Sources of Productivity Growth</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. Krugman 1994 2. Perkins 2007</p>	<p><b>Oct. 22</b> Review 3</p>
4	<p><b>Oct. 26</b> <b>Lecture 7: Classical and Keynesians</b> <b>JONATHAN PINCUS</b></p> <p>Readings: 1. Skidelsky Chapter 4 2. KW 2009 – Ch. 17</p>	<p><b>Oct. 28</b> <b>Lecture 8: Introduction to business cycles</b> <b>JONATHAN PINCUS</b></p> <p>Readings: 1. Skidelsky Ch 5 2. KW 2009 – Ch. 11,12</p>	<p><b>Oct. 29</b> Review 4</p>
5	<p><b>Nov. 2</b> <b>Lecture 9: Savings and Investment (1)</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 5 2. KW 2009 – Ch.10</p>	<p><b>Nov. 4</b> <b>Lecture 10: Savings and Investment (2)</b> <b>JONATHAN PINCUS</b></p> <p>Readings: 1. Cooper: Ch 5 2. Cassidy 13, 16</p>	<p><b>Nov. 5</b> Review 5</p>
6	<p><b>Nov. 9</b> <b>Lecture 11: Money and Banking</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 2 2. KW 2009 – Ch. 14</p>	<p><b>Nov. 11</b> <b>Lecture 12: Monetary Policy</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 2, 3 2. KW 2009 – Ch. 15</p>	<p><b>Nov. 12</b> Review 6</p>

<b>7</b>	<p><b>Nov. 16</b> <b>Lecture 13: Fiscal Policy</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. David Moss 2007 - Ch. 3 2. KW 2009 – Ch. 13</p>	<p><b>Nov. 18</b> <b>Lecture 14: Fiscal Policy in Vietnam</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. Easterly, Irwin and Serven 2007 2. FETP 2008</p>	<p><b>Nov. 19</b> Review 7</p>
<b>8</b>		<p><b>Nov 26</b> <b>Midterm Exam</b></p>	<p><b>Nov. 27</b> <i>No class</i></p>
<b>9</b>	<p><b>Nov. 30</b> <b>Lecture 15: Inflation and Unemployment</b> <b>DINH VU TRANG NGAN</b></p> <p>Readings: 1. KW 2009 – Ch. 8, 16 2. Friedman 1976</p>	<p><b>Dec. 2</b> <b>Lecture 16: Deflation and the Liquidity Trap</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. KW 2009 – Ch. 8, 16 2. Athanasios Orphanides 2003</p>	<p><b>Dec. 3</b> Review 8</p>
<b>10</b>	<p><b>Dec. 7</b> <b>Lecture 17: Introduction to open economy macro</b> <b>CHAU VAN THANH</b></p> <p>Readings 1. KW 2009 - Ch 18</p>	<p><b>Dec. 9</b> <b>Lecture 18: Capital flows and the BOP</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. Kaminsky, Reinhart, Végh 2004 2. Minsky 2008, Ch. 2</p>	<p><b>Dec. 10</b> Review 9</p>
<b>11</b>	<p><b>Dec. 14</b> <b>Lecture 19: Exchange rates</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. David Moss 2007 - Ch. 2, 7 2. KW 2009 – Ch. 18 3. Barry Eichengreen and Raul Razo-Garcia 2006</p>	<p><b>Dec. 16</b> <b>Lecture 20: Vietnam, fix or float?</b> <b>CHAU VAN THANH</b></p> <p>Readings: 1. VEPR (2010)</p>	<p><b>Dec. 17</b> Review 10</p>
<b>12</b>	<p><b>Dec. 21</b> <b>Lecture 21: Financial liberalization and growth</b> <b>JONATHAN PINCUS</b></p> <p>Readings: Stiglitz 2000</p>	<p><b>Dec. 23</b> <b>Lecture 22: Banking regulation and banking crises</b> <b>JONATHAN PINCUS</b></p> <p>Readings: Leung 2009</p>	<p><b>Dec. 24</b> Review 11</p>
<b>13</b>	<p><b>Jan. 4</b> <b>Lecture 23: Dollarization</b> <b>JONATHAN PINCUS</b></p> <p>Readings: Goujon 2006</p>	<p><b>Jan. 6</b> <b>Lecture 24: Lessons of 2008 crisis</b> <b>JONATHAN PINCUS</b></p> <p>Readings: Cooper: Ch 8 Krugman 2010</p>	<p><b>Jan. 7</b> Review 12</p>

<b>14</b>	<b>Jan. 11</b> <b>Lecture 25: Guest Lecture</b>	<b>Jan. 13</b> <b>Lecture 26: Guest lecture</b>	<b>Jan. 14</b> Review 13
<b>15</b>		<b>Jan. 19</b> <b>Final Exam</b>	<b>Jan. 20</b> Review 14