

MACROECONOMICS
Theory and policy
(4 credits)
18/10/2017 – 31/01/2018
Course Syllabus

Teaching Team

Instructors: Châu Văn Thành (thanh.chau@fuv.edu.vn)
Vũ Thành TỰ Anh (anh.vu@fuv.edu.vn)
Tutor: Đào Thị Ngọc (daongoc87@gmail.com)

Class Meeting Times

Lectures will be held on Mondays and Wednesdays from 8:30 to 10:00

Office hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Châu Văn Thành*					
Vũ Thành TỰ Anh		4:00 – 5:30		4:00 – 5:30	
Đào Thị Ngọc	1:30-3:30		1:30-3:30		

* Email for appointment

Convenient time can be arranged.

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. Case studies and real world macro situations in Vietnam and the world will be the focus of discussion.

Description

Studying the economy as a whole, macroeconomics tries to describe, measure and analyze different macro variables such as GDP, prices and inflation, jobs and unemployment, total consumption, investment, government spending and tax, money supply and demand, interest rate, trade surplus/deficit, BOP and exchange rate. Simple models will be built to help students understand relationship among these variables. The economy in the long-run and growth in the very long-run will also be considered, followed by economic fluctuations in the short-run. Policy comments and part of International Macro economics will be covered later in the course.

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.

Macroeconomic issues become more important, their scopes go beyond domestic economy to become regional and global. They play vital role in the operation of individuals, firms, state agencies, in political process and international relations. Updating on international, regional economies and debates will be included in lectures and case studies.

The course is designed based on assumption that the students are familiar with economics 101 (for preference please use Mankiw's Principles of Macroeconomics). Analysis will not however be theoretically advanced but rather generalized and focused on policy analysis as designed for public policy training.

Student Learning Outcomes

Upon completing the course, students are expected to:

- Understand and apply basic macroeconomic models.
- Apply knowledge learned to analyze and critically comment on macroeconomic policies of the government.
- Write policy briefs in a concise, simple and understandable format for macroeconomic policy makers and implementers.
- Understand the fundamental differences in how macroeconomic policy operates in a closed economy, open economy, transition economy from planning to market.

- Understand important macroeconomic balances and macroeconomic challenges of Vietnam's economy during the transition as well as its international economic integration.

Assessment

Students are expected to attend all lectures and classes, read the required readings carefully prior to class, actively participate in class discussions, and completing all assignments.

Grade structure

- Assignment, policy paper: 30%
- Class participation: 10%
- Midterm exam: 30%
- Final exam: 30%

Assignment, exams

Students will have six homework assignments and two exams. 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.

	Delivery	Due	Exam
Assignment 1	18/10	30/10	
Assignment 2	30/10	13/11	
Assignment 3	13/11	24/11	
Midterm exam			08/12/2017
Assignment 4	11/12	22/12	
Assignment 5	27/12	08/01/2018	
Assignment 6	08/01	19/01	
Final term exam			31/01/2018

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:

N. Gregory Mankiw, *Macroeconomics*. Worth Publishers, Ninth Edition, 2015. (**Mankiw 2015**)

N. Gregory Mankiw (2012), *Kinh tế học Vĩ mô*, NXB Cengage Learning, Tiếng Việt

2014. [*Principles of Macroeconomics*, 6th edition, Cengage Learning] **(Mankiw 2012V)**

Châu Văn Thành (2017), *Macroeconomic short stories – Vol. 1*, NXB ĐHQG TP.HCM. **(CVT 2017)**.

David A. Moss, *A Concise Guide to Macroeconomics – What Managers, Executives, and Students Need to Know*. Harvard Business School Press, 2014. Second Edition. **(Moss 2014)**.

Additional readings

Athanasios Orphanides, “Monetary Policy in Deflation: The Liquidity Trap in History and Practice”, FEDS, Dec. 2003. **(Athanasios Orphanides 2003)**.

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)**

Jeffrey Frankel, “Nominal GDP Targeting for Middle-Income Countries”, September 2014. HKS RWP 14-033 **(Frankel 2014, NGDPT)**.

José Antonio Ocampo, Codrina Rada and Lance Taylor (2009) *Growth and Policy in Developing Countries: A Structuralist Approach*, Columbia University Press. **(Ocampo, Rada and Taylor 2009)**

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)**

Course outline

- (i) Introduction and Measuring the Economy**
 - 1. Introduction
 - 2. Measuring the Economy
 - 3. Case study - National Income and Balance of Payments Accounting of Vietnam
- (ii) The long run economy, money and inflation;**
 - 4. Money and banking system
 - 5. Money growth and inflation
- (iii) The short run economy and business cycle;**
 - 6. Aggregate Supply and Aggregate Demand
 - 7. Fiscal and monetary policies and AD
 - 8. Inflation and unemployment - the Phillips Curve
- (iv) Macroeconomic issues in an open economy;**
 - 9. Case study – XR complications
 - 10. The impossible trinity
 - 11. Capital flow and the sterilizing monetary policy
 - 12. Capital flow and interest rate parity
- (v) The very long run economy, production and growth;**
 - 13. Economic Growth I – the Robert Solow model
 - 14. Economic Growth II – The idea of endogenous growth
- (vi) International macro economy: development and updating;**
 - 15. The Keynesian Model and policy implications – Keynes’s revival
 - 16. When does the current account deficit turn dangerous?
 - 17. Deflation and Liquidity Trap
 - 18. Case study – Capital flow and the sterilizing monetary policy
 - 19. Case study – Update and understand Vietnam BOP correctly
 - 20. Fiscal policy in developing countries and emerging markets
 - 21. What challenges are facing monetary policy in developing countries and emerging markets?
 - 22. macroeconomic lessons from financial crisis
- (vii) Highlighting of macro issues in Vietnam**
 - 23. Fiscal policy, budget deficit and public debt in Vietnam
 - 24. GDP growth target and monetary and fiscal policies collaboration

Lecture Schedule

Week	Mon	Wed	Fri
1		18/10 Lecture 1: Introduction <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> CVT, <i>Lecture notes</i> 	20/10 Lecture 2: Measuring the Economy <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> (Moss 2014), Ch. 1 & 5 (Mankiw 2012V), Ch. 10 & 11
2	23/10 Lecture 3: Case study - National Income and Balance of Payments Accounting of Vietnam <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> (Moss 2014), Ch. 1, 5 & 6 CVT, NI & BoP Accounting CVT, Understanding BOP: the case of Vietnam and China 	25/10 Lecture 4: Money and banking system <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> (Moss 2014), Ch. 2 (Mankiw 2012V), Ch. 16 	27/10 Review 1
3	30/10 Lecture 5: Money growth and inflation <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> (CVT 2017), pages 70-74 (Moss 2014), Ch. 3 (Mankiw 2012V), Ch. 17 	01/11 Lecture 6: Aggregate Demand and Supply <i>Vũ Thành Tự Anh</i> <u>Readings:</u> <ul style="list-style-type: none"> (Mankiw 2015), Ch. 10 (Mankiw 2012V), Ch. 20 	03/11 Review 2
4	06/11 Lecture 7: Fiscal and monetary policies and AD <i>Vũ Thành Tự Anh</i> <u>Readings:</u> <ul style="list-style-type: none"> (Mankiw 2015), Ch. 11, 12 & 13 (Mankiw 2012V), Ch. 21 	08/11 Lecture 8: Inflation and unemployment - the Phillips Curve <i>Vũ Thành Tự Anh</i> <u>Readings:</u> <ul style="list-style-type: none"> (Mankiw 2015), Ch. 14 (Mankiw 2012V), Ch. 22 	10/11 Review 3
5	13/11 Lecture 9: Case study – XR complications <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> (CVT 2017), page 25-38 (Moss 2014), Ch. 7 CVT, XR complications CVT, <i>Real XR, how to know if the currency is over or under valued</i> 	15/11 Lecture 10: The impossible trinity <i>Châu Văn Thành</i> <u>Readings:</u> <ul style="list-style-type: none"> CVT, The impossible trinity in macro policy 	17/11 Review 4
6	20/11 Lecture 11: Capital flow and the sterilizing monetary policy <i>Châu Văn Thành</i>	22/11 Lecture 12: Capital flow and interest rate parity <i>Châu Văn Thành</i>	24/11 Review 5

	<p><u>Readings:</u></p> <ul style="list-style-type: none"> • CVT, Capital inflow, FX reserve and the sterilizing monetary policy 	<p><u>Readings:</u></p> <ul style="list-style-type: none"> • (CVT 2017), pages 1-13 • Ocampo, Rada and Taylor 2009, Ch.5-7 	
7	<i>Reading week</i>		
8	04/12	06/12	08/12 <i>Midterm exam</i>
9	<p>11/12</p> <p>Lecture 13: Economic Growth I – the Robert Solow <i>model</i></p> <p><i>Vũ Thành Tự Anh</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • (Mankiw 2015), Ch. 8 	<p>13/12</p> <p>Lecture 14: Economic Growth II – The idea of endogenous growth</p> <p><i>Vũ Thành Tự Anh</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • (Mankiw 2015), Ch. 9 	15/12 Review 6
10	<p>18/12</p> <p>Lecture 15: The Keynesian Model and policy implications – Keynes’s revival</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • CVT, <i>The Keynesian Model and policy implications</i> • CVT, <i>Keynes’s revival</i> 	<p>20/12</p> <p>Lecture 16: When does the current account deficit turn dangerous?</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • (CVT 2017), pages 14-24 	22/12 Review 7
11	25/12	<p>27/12</p> <p>Lecture 17: Deflation and Liquidity Trap</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • (CVT 2017), Pages 59-69 • Athanasios Orphanides 2003 • Gaudi B. Eggertsson and Paul Krugman 2010 	<p>29/12</p> <p>Lecture 18: Case study – Capital flow and the sterilizing monetary policy</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • CVT, Capital inflow, FX reserve and the sterilizing monetary policy – <i>the Case of China</i>
12	01/01/2018	<p>03/01</p> <p>Lecture 19: Case study – Update and understand Vietnam BOP correctly</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • CVT, understand Vietnam BOP correctly – <i>the case of China and Vietnam</i> • CVT, <i>New approach to BOP</i> 	<p>05/01</p> <p>Lecture 20: Fiscal policy in developing countries and emerging markets</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> • (CVT 2017), pages 39-48 • Kaminsky, Reinhart, Végh 2004
13	<p>08/01</p> <p>Lecture 21: What challenges are facing monetary policy in developing countries and emerging markets?</p> <p><i>Châu Văn Thành</i></p>	<p>10/01</p> <p>Lecture 22: Macroeconomic lessons from financial crisis</p> <p><i>Châu Văn Thành</i></p> <p><u>Readings:</u></p>	12/01 Review 8

	<p><u>Readings:</u></p> <ul style="list-style-type: none"> • (CVT 2017), pages 49-58 • Frankel 2014, NGDPT 	<ul style="list-style-type: none"> • (CVT 2017), pages 75-85 	
14	<p>15/01 Lecture 23: Fiscal policy, budget deficit and public debt in Vietnam <i>Vũ Thành Tự Anh</i> <u>Readings:</u></p> <ul style="list-style-type: none"> • Lecture note 	<p>17/01 Lecture 24: GDP growth target and monetary and fiscal policies collaboration <i>Vũ Thành Tự Anh</i> <u>Readings:</u></p> <ul style="list-style-type: none"> • Lecture note 	<p>19/01 Review 9</p>
15	<i>Reading week</i>		
16	29/1/2018	31/01/2018 <i>Final exam</i>	