

**Intermediate Macroeconomics – 7.5 credits (hp)**

**Intermediate level, spring 2016**

**Lecturer: Lars Calmfors**

**Lecture plan**

<b>Date</b>	<b>Time</b>	<b>Room*</b>	<b>Contents</b>
Thu Jan 21	13-16	“G-salen”, <u>Arrhenius</u> labs: house F	Saving, investment, budget balance and real interest rates in closed economies. The relationship between budget balance and the current account in open economies. The determination of the real exchange rate. Current imbalances in the euro area. <i>Mankiw chapters 3 and 6.</i>
Tue Jan 26	13-16	D8	The production function. Economic growth. Growth accounting. The Solow model. Population growth and technological progress. Theories of endogenous growth. The role of institutions. <i>Mankiw chapters 3, 8-9.</i>
Fri Jan 29	13-16	E10	Theories of equilibrium unemployment. Stocks and flows in the labour market. Labour market developments in Sweden, Europe and the US. Wage setting and employment. Different wage-bargaining systems. Recent Swedish labour market reforms: unemployment insurance and earned income tax credits. Refugee flows and the Swedish labour market. <i>Mankiw chapter 7, (Swedish Fiscal Policy chapter 3).</i>
Wed Feb 3	13-16	B4	Nominal exchange rates and interest rates. Spot and forward foreign exchange markets. Monetary policy and exchange rates. The long-run price level. Exchange rate overshooting. <i>Krugman-Obstfeld-Melitz chapters 14-15, Mankiw chapter 4.</i>

<del>Mon Feb 8</del> NEW DATE: Fri Feb 5	15-18	B4	Purchasing power parity (PPP). The AA-DD model. Output and flexible exchange rates in the short run. Monetary and fiscal policy under a flexible exchange rate. <i>Krugman-Obstfeld-Melitz chapters 16-17.</i>
<del>Tue Feb 16</del> NEW DATE: Fri Feb 19	13-16	A2	Stabilisation policy under a flexible exchange rate (cont.). Zero interest rates and the economic crisis. Fixed exchange-rate systems. Output and fixed exchange rates. Stabilisation policy under a fixed exchange rate. Speculative attacks. <i>Krugman-Obstfeld-Melitz chapters 17-18.</i>
Mon Feb 22	9-12	B4	Optimal currency areas. Benefits and costs of EMU membership. Asymmetric shocks. Macroeconomic imbalances and real exchange rates within the eurozone. Sweden's crisis in the 1990s. Need for real depreciation with a common currency. Sweden and the euro. <i>Krugman-Obstfeld-Melilitz chapter 21, Sinn, (EEAG).</i>
Wed Feb 24	13-16	D8	Aggregate supply and inflation expectations. Inflation and unemployment. The degree of activism in stabilisation policy. The Taylor rule. A dynamic general equilibrium model (the DAD-DAS model). Demand vs supply shocks. Output vs inflation variability. <i>Mankiw chapters 14-15.</i>
Tue Mar 1	13-16	B4	Problems with stabilisation policy. Economic-policy paradigms during different periods. Time inconsistency of monetary policy. Independent central banks. The Great Moderation. Lessons from the financial crisis. Consumption and forward-looking households. Asset prices. The controversy about the monetary policy of the Swedish <i>Riksbank</i> . <i>Mankiw chapters 16, 18, and 20, (Calmfors: The Swedish Macroeconomic Framework), (EEAG).</i>

Tue Mar 8

09-12

B4

Fiscal policy. Ricardian equivalence. Deficit bias. Government debt dynamics. Fiscal rules. Swedish fiscal consolidation in the 1990s. The Swedish surplus target. EU's stability pact. The European sovereign debt crisis: bail-outs or defaults. Independent fiscal councils.

*Mankiw chapter 19, Calmfors: The Roles of Fiscal Rules, Fiscal Councils and Fiscal Union in EU integration.” (Swedish Fiscal Policy: chapters 1 and 3), Sinn, (Calmfors: The Swedish Macroeconomic Framework).*

*\*lecture hall located in the central corridor of “Södra Husen” unless otherwise stated.*