

Intermediate Macroeconomics – 7.5 credits

Intermediate level, autumn 2014

Lecturer: *Lars Calmfors*

Lecture plan

Date	Time	Room	Contents
Tue Sep 2	9-12	Hörsal 10, Södra huset, hus E	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>
Mon Sep 8	9-12	Hörsal 2, Södra huset, hus A	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 and 8-9.</i>
Wed Sep 10	9-12	G-salen	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. <i>Mankiw chapter 7, (Swedish Fiscal Policy chapter 3).</i>
Thu Sep 18	15-18	Hörsal 10, Södra huset, hus E	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 (3-4)¹, Mankiw chapter 4.</i>

¹ Chapter numbers without paranthesis refer to the International Economics version of the textbook, chapter numbers within paranthesis refer to the International Finance version of the textbook.

Mon Sep 22	13-16	Hörsal 6, Södra huset, hus C	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. (5-6)</i> ¹
Mon Sep 29	9-12	Hörsal 2, Södra huset, hus A	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. (6-7)</i>
Wed Oct 1	9-12	G-salen	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 depreciations within the euro area. Sweden and the euro. <i>Krugman-Obstfeld-Melitz chapter 21 (10)</i> ¹ , <i>EEAG chapters 1 and 3.</i>
Wed Oct 8	13-16	G-salen	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>
Mon Oct 13	9-12	Hörsal 6, Södra huset, hus C	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.</i>

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Mon Oct 20

13-16

G-salen

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, EEAG chapters 1 and 3 (Swedish Fiscal Policy chapter 1), Calmfors.*