

APPLIED MACRO AND INTERNATIONAL ECONOMICS I  
FALL TERM 2023  
SYLLABUS

This course explores the macroeconomic environment in which firms operate. It aims to provide a strong foundation in macroeconomic concepts and apply them to understand specific country experiences. The course begins by exploring drivers of long-term growth, examining the cases of economic miracles and productivity slowdowns in developed economies. Next, the course introduces the basic tools of short-run macroeconomic management, primarily monetary and fiscal policy, utilizing historical case studies and modern policy discussions as context. As a third building block, the course delves into the fundamental theory of trade, applying it to the discussions of global trade wars, trade agreements, and national security concerns. The course concludes with an analysis of the political and social factors that shape the current macroeconomic dynamics, including the rise of social media and generative AI.

The class will be taught by Professor Alexey Makarin, with guest lectures by Professor Roberto Rigobon and Professor Tavneet Suri. On any given day, both sections will be taught by the same professor. All sections will therefore cover exactly the same material and have exactly the same set of classes. The classes to be taught by Professor Rigobon and Professor Suri are indicated below; Professor Makarin will teach the remaining classes.

Note that this class is a prerequisite for the Applied Macro and International Economics II taught by Professor Rigobon in the Spring semester.

There is a TA for each section of the class. There will be no recitations for this class, but the TAs will each hold office hours by appointment.

Before each class, you are expected to read all the “required readings” listed below. An optional textbook is “Macroeconomics and the Financial System” by Mankiw and Ball (referred to as MFS below). This is meant for those interested in further reading or for those who want a different reference for the tools and frameworks covered in class.

This is a case/readings-based class. There is no final exam. Instead, three classes will be reserved for debates/presentations, described in detail below.

## **DEBATES/PRESENTATIONS**

The classes of November 29, December 4, and December 6 are reserved for debates. The three questions for the debates are listed below. All students are required to be in class for the debates (see the grading scheme of the debates described in detail below).

In each section, students will sort into teams of 3 or 4 at a maximum. Each team will pick the name of a country in the world as their name (please email your TA with your team's name and who is on your team within the first week of class).

Each team will have to prepare three presentations, one on each of the questions listed below. These should be PowerPoint presentations with a maximum length of 5 slides for each question (including a cover slide). These three presentations are the only deliverables you have to do for the debates.

Before the debates, Alexey and the TAs will grade the debates and pick teams to present on a relevant day. Since the questions are open-ended, there may well be between 2 and 5 teams picked to present (they will, of course, all have different answers to the questions posed). The teams that do not get picked will get a chance to participate as described below.

For the actual day of the debates, we will ask the teams who got selected to present their answers. They have to use the slides they submitted to their TA - the slides cannot be changed at all after submission. The teams will have 5 minutes maximum to present.

Once the selected teams have presented, we will open up the question for discussion from the rest of the class. The other teams that did not get selected will have an opportunity to present their arguments either in support of one of the answers already provided or for a whole new answer. All presentations and discussions will be graded (see the section on grading below).

The debate will be judged by Alexey and the TAs. There may be an additional third judge.

### **Debate Questions**

1. **Growth Strategy for Moldova/Kenya/Colombia.** You've been appointed as an economic advisor for an emerging country assigned to your group. Using the tools and frameworks learned in class, propose a growth strategy based on two (and only two) primary economic policies.
2. **Trade and National Security.** Russian aggression in Ukraine has highlighted the risks of free trade policies, such as raising dependence on country-specific imports and transferring critical technology that can be later used for military purposes. Debate the pros and cons of the US and EU maintaining free trade policies with authoritarian regimes like China. Should the former uphold free trade, or introduce export and import restrictions? Choose a stance and defend it, offering specific arguments or alternative measures in line with your position.
3. **AI and Economic Growth.** The rapid advancement of AI presents two distinct viewpoints: some see significant potential for economic growth, while others advocate for caution, citing adverse societal effects and job displacement risks. Which perspective aligns with your view, and why?

## **Grading the Debate**

The grade of the debate has two main parts:

- The first part of the grade comes from the slides prepared by each team. These will be graded by Alexey and the TAs. This accounts for 45% of your total grade in the class (15% for each slide deck).
- The second part of the grade deals with the actual days of the debate. This will count for a total of 15% of your grade, 5% for each debate day, which comes from the grade that the panel of experts gives to each team. The teams can earn this portion of the grade in two ways. If they are picked to present, then that grade will come directly from the presentation. If they are not picked to present, then they should make a statement when the discussion is opened, and that statement will award their team grades. In addition, any other substantive comments made by anyone will award their team points (note that the only individual points for the debates come from attendance). **Though all the debate grades are group grades, you will get zero if you do not attend.**
- Note that, in total, the debates make up 60% of your grade.

## **OVERALL GRADING SCHEME:**

Your grade for the course will be composed of the following:

Class participation:	40%
Grade on the debate slides:	45% (15% per presentation)
Grade on the actual debate:	15% (5% per debate)

Class participation is graded on a range of -2 to 3 in every class. If you do not attend class, you get a -2. If you are late, you get a -1. If you attend but do not speak up much or just ask clarifying questions, you get 0. If you speak up with at least one good comment, you will get points ranging from 1 to 3, depending on the quality of the comment. Speaking up on its own is not enough to earn even a 1. A 3 will be awarded extremely rarely and is for a comment/question that really changes the discussion. Your final participation grade is an average of all the individual class grades.

## **POLICIES**

Please familiarize yourself with the [latest Sloan classroom norms and policies](#). For instance, note that it is a school policy that laptops and e-readers remain closed/off except with explicit permission of the faculty. In this class, laptop and cell phone use is discouraged during lectures and prohibited during case discussions. However, paper tablets are allowed.

**All three debate slide decks are due on: Monday, November 20<sup>th</sup> by midnight.**

We will announce the presenters on Monday, November 27<sup>th</sup> by midnight.

## **Contact Information**

### ***Professors***

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### ***Teaching Assistants***

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### ***Course Assistants***

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APPLIED MACRO AND INTERNATIONAL ECONOMICS I  
CLASS SCHEDULE AND REQUIRED READINGS

**1. Wed Sep 6: Introduction to the Class and Macroeconomics**

**Module I – Long-Run Economic Growth**

**2. Mon Sep 11: Where Does Growth Come From: Growth Theory**

Article (Economist): The Growth of Growth Theory

Optional: MFS Chapters 7-8

**3. Wed Sep 13: Applications of Growth Theory: The Case of Singapore**

HBS Case #9-703-040: Singapore Inc.

**4. Mon Sep 18: Applications of Growth Theory: Total Factor Productivity; The Case of Japan**

HBS Case #9-703-040: Singapore Inc.

HBS Case #702014: Japan: The Miracle Years

**5. Wed Sep 20: Applications of Growth Theory: The Case of Japan**

HBS Case #702014: Japan: The Miracle Years

**6. Mon Sep 25: Productivity Decline in the US**

HBS Case #9-718-013: The Productivity Decline: Demographics, Robots or Globalization?

**7. Wed Sep 27: Institutional Quality and Growth**

Book Chapter: Acemoglu, Daron, and James A. Robinson. "Why Nations Fail." (2012)

Chapter 1. "So Close and Yet So Different."

Article (only introduction): Acemoglu, Daron, Simon Johnson, and James A. Robinson.

"The Colonial Origins of Comparative Development: An Empirical Investigation."

*American Economic Review* 91.5 (2001): 1369-1401.

**Module II – Short-Run Macroeconomic Management**

**8. Mon Oct 2: Short Run Macro Policy: Introduction (Baby-Sitters) [Rigobon]**

MFS Chapter 2

HBR Article #07406: How Fast Can the US Economy Grow

**9. Wed Oct 4: Money, Banking and Central Banks [Rigobon]**

MFS Chapter 4 with Appendix

HBS Case #9-798-048: The German Hyperinflation of 1923

**10. Mon Oct 9: Holiday**

**11. Wed Oct 11: Money Market and Aggregate Demand [Rigobon]**

Mankiw "Macroeconomics" Chapter 2

MFS Chapters 9 (Optional: MFS Chapters 10-11)

**12. Mon Oct 16: Sticky Prices and Aggregate Supply [Rigobon]**

MFS Chapter 9 (Optional: MFS Chapters 12-13)

**13. Wed Oct 18: Monetary and Fiscal Policy: Applications [Rigobon]**

MFS Chapter 9

HBS Case #9-391-258: The Great Depression: Causes and Impact (Abridged)

**14. Mon Oct 23 and Wed Oct 25: SIP week**

<b>Module III – International Trade</b>
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**15. Mon Oct 30: Trade and Comparative Advantage: Gains from Trade**

Article: Krugman, Paul. "Is Free Trade Passe?" *The Journal of Economic Perspectives*, 1(2), pp 131–144(1987).

**16. Wed Nov 1: Trade Wars**

HBS Case #9-719-034: US-China Trade War

**17. Mon Nov 6: The Cost of Brexit**

HBS Case #9-717-028: Brexit

**18. Wed Nov 8: Social Costs of Trade Opening: Pains from Trade (w/ Discussion of the Economic Consequences of the Russian Invasion of Ukraine)**

Book Chapter: "The Pains from Trade" from "Good Economics for Hard Times" (2019) by Duflo, Esther, and Banerjee, Abhijit. Chapter 3.

<b>Module IV – The Role of Recent Technological Developments</b>
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**19. Mon Nov 13: Mobile Money in Developing Countries [Suri]**

Article (Wall Street Journal): Mobile Banking Gives a Big Boost to Kenya's Poor

Article (IEEE Internet Computing): From Giant Robots to Mobile Money Platforms: The Rise of ICT Services in Developing Countries

**20. Wed Nov 15: Social Media, Politics, and Society: Part I**

Article: Boxell, Levi, Matthew Gentzkow, and Jesse M. Shapiro. "Is Media Driving Americans Apart?" *New York Times* 6 (2017).

(Optional Reading: Zhuravskaya, Ekaterina, Maria Petrova, and Ruben Enikolopov. "Political Effects of the Internet and Social Media." *Annual Review of Economics* 12 (2020): 415-438.)

**21. Mon Nov 20: No class – Happy Thanksgiving!**

**22. Wed Nov 22: No class – Happy Thanksgiving!**

**23. Mon Nov 27: Social Media, Politics, and Society: Part II**

Article: "From MIT social media summit, 5 trends experts are watching" by Sara Brown

Article: The U.S. Surgeon General's Advisory on Social Media and Youth Mental Health

<b>Module V – Student Debates and Wrap-up</b>
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**24. Wed Nov 29: Debate 1**

**25. Mon Dec 4: Debate 2**

**26. Wed Dec 6: Debate 3**

**27. Mon Dec 11: Wrap-up of the Class and Final Thoughts**