

APPLIED MACRO AND INTERNATIONAL ECONOMICS I
FALL TERM 2024
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 with the tools of short-run macroeconomic management, primarily monetary and fiscal policy, utilizing historical case studies and modern policy discussions as context. Second, it explores the drivers of long-term growth, examining the cases of economic miracles and productivity slowdowns in developed economies. As a third building block, the course delves into the fundamental theory of trade and nominal exchange rates, applying it to the discussions of global trade wars, trade agreements, and national security concerns. The course concludes with a discussion of business cycles and the dynamic constraints faced in the medium to long run – a framework known as BBNN.

The class will be co-taught by Professors Alexey Makarin and Professor Roberto Rigobon. 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 Alexey Makarin are indicated below with AM, the classes taught by Professor Rigobon are indicated with RR.

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. For Rigobon’s sessions we will use the class notes: Managerial International Macroeconomics (MIM).

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 December 2, December 4, and December 9 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, Roberto, 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, Roberto, and the TAs. There may be an additional third judge.

Debate Questions: TBD

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, Roberto, 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: Wednesday, November 20th, by midnight.

We will announce the presenters on Wednesday, November 27th, by midnight.

Contact Information

Professors

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APPLIED MACRO AND INTERNATIONAL ECONOMICS I
CLASS SCHEDULE AND REQUIRED READINGS

- 1. Wed Sep 4: Introduction to the Class and Macroeconomics**
MIM class notes (Chapter 1)

Module I – Short-Run Macroeconomic Management
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- 2. Mon Sep 9: Short Run Macro Policy: Introduction (Baby-Sitters) [RR]**
MIM class notes (Chapter 2)
MFS Chapter 2
HBR Article #07406: How Fast Can the US Economy Grow
- 3. Wed Sep 11: Money and Hyperinflation [RR]**
MFS Chapter 4 with Appendix
HBS Case #9-798-048: The German Hyperinflation of 1923
- 4. Mon Sep 16: Banks and Short-Term [RR]**
MIM class notes (Chapter 5 and 9)
- 5. Wed Sep 18: Why Banks go Bankrupt [RR]**
MIM class notes (Chapter 9)
- 6. Mon Sep 23: Money Market and Aggregate Demand [AM]**
Mankiw “Macroeconomics” Chapter 2
MFS Chapters 9 (Optional: MFS Chapters 10-11)
- 7. Wed Sep 25: Sticky Prices and Aggregate Supply [AM]**
MFS Chapter 9 (Optional: MFS Chapters 12-13)
- 8. Mon Sep 30: Monetary and Fiscal Policy: Applications [AM]**
MFS Chapter 9
HBS Case #9-391-258: The Great Depression: Causes and Impact (Abridged)

Module II – Long-Run Economic Growth

- 9. Wed Oct 2: Where Does Growth Come From: Growth Theory [AM]**
Article (Economist): The Growth of Growth Theory
Optional: MFS Chapters 7-8
- 10. Mon Oct 7: Applications of Growth Theory: The Case of Singapore [AM]**
HBS Case #9-703-040: Singapore Inc.
- 11. Wed Oct 9: Applications of Growth Theory: Total Factor Productivity; Japan [AM]**
HBS Case #9-703-040: Singapore Inc.

HBS Case #702014: Japan: The Miracle Years

12. Mon Oct 14: HOLIDAY (Indigenous Peoples)

13. Wed Oct 16: Applications of Growth Theory: The Case of Japan [AM]

HBS Case #702014: Japan: The Miracle Years

14. Mon Oct 21: LEAD week

15. Wed Oct 23: LEAD week

Module III – Exchange Rates and International Trade
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16. Mon Oct 28: Exchange Rates Regimes [RR]

17. Wed Oct 30: UIP and PPP: Finance and Goods Arbitrage [RR]

18. Mon Nov 4: Institutional Quality and Growth [AM]

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.

19. Wed Nov 6: Trade and Comparative Advantage: Gains from Trade [AM]

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

20. Mon Nov 11: HOLIDAY (Veteran's Day)

21. Wed Nov 13: The Cost of Brexit [AM]

HBS Case #9-717-028: Brexit

Module IV – BBNN Framework

22. Mon Nov 18: Long Term Macro Policy: BB [RR]

MIM class notes (Chapter 7)

23. Wed Nov 20: Long Term Macro Policy: NN [RR]

MIM class notes (Chapter 7)

24. Mon Nov 25: Dynamic Behavior: Automatic Adjustment [RR]

MIM class notes (Chapter 7)

25. Wed Nov 27: Ask me anything [RR]

Module V – Student Debates and Wrap-up

26. Mon Dec 2: Debate 1

27. Wed Dec 4: Debate 2

28. Mon Dec 9: Debate 3

29. Wed Dec 11: Wrap-Up