

<p>ECON2004: Macroeconomic Theory and Policy: The Open Economy and Crises</p>

Lecturer: Wendy Carlin, Drayton House, Room 216
Outline for Part 2, Spring 2017

This term's part of ECON2004 is concerned with the open economy and with open economy aspects of the global financial crisis and the Eurozone sovereign debt crisis. You will frequently need to make use of the closed economy analysis covered in the autumn term. Please refer to the ECON2004 Moodle website for copies of the course information and for on-line material.

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Lectures: Thursday 11-1. All lectures are in the Chemistry Auditorium. Lecturecast has been requested and recordings will be uploaded to Moodle.

Practical Lectures: Wednesdays 9-10 (see below and Moodle for details). Practicals are in the Chemistry Auditorium.

Tutorial Classes: See Course Timetable available via Moodle for details.
Submission will be due by 23.55 on the Friday night in the week before the class takes place.

Textbooks

The main text to be used this term: Wendy Carlin and David Soskice (2015), *Macroeconomics: Institutions, Instability and the Financial System*. Oxford: OUP.

The text used in Econ1001, the e-book, *The Economy* (www.core-econ.org) is useful background – read Units 12-15 and 17 for revision.

Olivier Blanchard, Alessia Amighini And Francesco Giavazzi

(2010) *Macroeconomics: A European Perspective* *Macroeconomics* is also useful..

In addition, you may find some of the chapters in the following helpful (use the index as different editions are available):

Manfred Gaertner, *European Macroeconomics* (2009)

Paul de Grauwe, *The Economics of Monetary Union* Any recent edition.

Details of Core and Optional Readings are on the Moodle page

Course Outline

Week	Lecture topic
20	Introduction <ul style="list-style-type: none"> • Globalization in trade and capital markets • Macro policy making in the open economy • Open economy elements of crises Model-building: financial markets, exchange rates and the UIP condition
21	Supply-side, demand-side and real exchange rates Model-building: The medium-run model in the open economy (AD-ERU model)
22 T	Inflation-targeting in the open economy Model-building: Extending the inflation-targeting model to include the foreign exchange market (3-equation model)
23 T	Inflation-targeting, exchange rate overshooting & volatility Model-building: Using the 3-equation model
24 T P	The real exchange rate, external balance and the demand side Model-building: Competitiveness, multipliers, Marshall-Lerner condition, terms of trade
25 RW	
26	The real exchange rate, inflation and the supply side (the AD-BT-ERU model) Model-building: AD-BT-ERU model and policy analysis
27 T P	All about oil: macro analysis of oil shocks and natural resource windfalls Model-building: Oil shocks in the AD-BT-ERU model; Applying the PIH to the open economy
28	External imbalances Model-building: 2-bloc model with inflation targeting central banks
29 T P	Economics of a Common Currency Area – the Eurozone’s first decade and the sovereign debt crisis Model-building: Fixed exchange rates, stabilization, governance
30 T	Final lecture - the financial crisis, the great recession, secular stagnation.