

ECON 642 – Syllabus

Topics in Applied Macroeconomics

The Master of Science in Applied Economics Program
University of Maryland
Summer 2021 – District of Columbia

Instructor: Dr. Arto Kovanen, Adjunct Lecturer

Email: akovanen@umd.edu

Office hour: Each Sunday, online (via WebEx), from 3:00 to 4:00 p.m. (also available to discuss course-related issues at other times, but only by appointment).

Class schedule: The course is administered online during the Summer 2021 semester. There will be an online session each Tuesday to complement pre-posted notes and other materials that has been placed on the ELMS/Canvas. The online session will take place from 6:45 to 7:45 p.m. (Eastern Standard Time, EST, and may be extended as needed).

Classroom: The course is offered only online.

Teaching Assistant: TBA

Email: TBA

Office hour: TBA

Course prerequisite: Admission to the University of Maryland's Master of Science (M.Sc.) Program in Applied Economics.

Course description: This course is the core macroeconomics course for the M.Sc. Program in Applied Economics. It emphasizes the understanding of macroeconomic behavior and adjustment in the short and long run, and the roles of governments and monetary authorities take in implementing macroeconomic policies.

Course objectives: The M.Sc. in Applied Economics Program lists following general learning outcomes for students:

1. **Ability to understand, evaluate and analyze economic data**
2. Ability to understand and interpret statistical evidence from economic data
3. **Ability to apply empirical evidence to assessing economic arguments**
4. **Ability to apply macroeconomic theories to policy discussions**
5. Ability to apply microeconomic theories to policy discussions
6. **Ability to communicate economic ideas to a broader audience**
7. Ability to evaluate the effectiveness of policy programs using sound economic techniques

This course focuses on learning outcomes related to 1, 3, 4, and 6 (highlighted).

Course textbooks and other learning materials:

- A. Primary text is N. Gregory Mankiw (NGM, 2019). Macroeconomics, 10th edition (ISBN # 978-1-319-10605-8 (epub) and ISBN # 978-1-319-10599-0 (hard copy)). With some qualifications, students may also use the 8th and 9th editions, keeping in mind that some content has been amended in the most recent edition.
- B. Supplementary reading materials will be posted on ELMS/Canvas throughout the course, as considered relevant for the topics under discussion.

The course will require a considerable time commitment. I wish to emphasize that it will be essential for students to familiarize themselves with the pre-posted notes and any other material before the class, as they will assist students in learning and absorbing the subject matter of the course.

Grading policy: Final grades for this course will be based on the following assignments and weights:

A. Midterm exam	25 %
B. Final exam (not comprehensive)	35 %
C. Homework assignments (total 8)	20 %
D. Online discussions (total 8)	10 %
E. Group projects (preparation and presentation)	10 %
Total	100 %

At the end of the course, each student will receive a numerical grade, on the scale from 0 to 100 (percent), which is then converted into a letter grade. Table 1 below provides scaling for the letter grades, calculated on the basis of above assignments and weights (grades will not be curved). At my discretion, I might assign a letter grade A + to a limited number of top students in the class.

Table 1: Grading scale

Numerical grade	Letter grade
93.0 – 100	A
90.0 – 92.9	A -
80.0 – 89.9	B +
70.0 – 79.9	B
60.0 – 69.9	B -
50.0 – 59.9	C +
40.0 – 49.9	C
30.0 – 39.9	C -
20.0 – 29.9	D +
10.0 – 19.9	D

Less than 10.0	F
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Midterm and final exams: Both exams will be online and open books. The final exam will not be comprehensive. Midterm and final exams will be held, respectively, on Tuesday, July 6, 2021 (Week # 6) and Tuesday, August 17, 2021 (Week # 12), as indicated in Table 2. Each exam will begin at 6:45 p.m. on the day of the exam and last for two (2) hours. Further instructions on how these exams are administered will be posted on the ELMS/Canvas in due course.

Homework: Because this course is administered online, homework assignments will play an important part in the learning process. I will assign new homework every Wednesday, except on Weeks # 5 and 11. There will be eight (8) homework assignments. Each of the assignments will be due on the following Tuesday (at midnight, EST), subsequent to the posting on the ELMS/Canvas. Students are permitted to discuss homework assignments among themselves but are required to turn in their individual work.

Online discussion topics: Online discussion topic assignments are intended to help students develop ability to think like an economist and analyze economic problems. I will post eight (8) discussion topics on the ELMS, every Wednesday, except on Weeks # 5 and 11. Discussion topic assignments will remain accessible for about a week after they have been posted and close on the following Tuesday (at midnight, EST). Students are highly encouraged to suggest topics for discussion assignments.

Online discussion assignment guidelines:

- A guiding principle for the online discussion assignments is to develop skills to think analytically and provide critical and constructive feedback on the discussion topic that has been assigned.
- Each student is required to post one original response to each assignment, before he/she can comment on other students' submissions.
- Group postings are not accepted, but students are permitted to discuss the online discussion topic assignment with other students.
- Students are expected to support their argumentation with economic analysis, not merely provide personal views/opinions on the subject at hand.
- Grading of each online discussion is based on participation and content as follows:
 - **Full points**, student makes his/her post and supports it with an economic analysis;
 - **Half of the points**, student makes his/her post, but fails to support it with an economic analysis; and
 - **No points**, a student does not participate in the online discussions within the provided time limit during the week.

Group project: Teams (comprise 3 students) are assigned to prepare short presentations that will analyze macroeconomic topics relevant for the course. Each team is expected to prepare and provide a video recording of PowerPoint presentation (approximately 10 – 15 minutes long), which I will review and provide comments on before its finalization. Final versions of the PowerPoint presentations will be posted on the ELMS ahead of time of their viewing in the class, so that other

students have opportunity to review them, and prepare questions and comments during the class discussions of the presentations. I will post further instructions on the modalities for group projects on the ELMS in due course.

Other considerations:

- Please note that submissions (such as homework, exams, postings, course projects, and presentations) must be legible, clearly written, and neatly organized.
- Late submissions will not be accepted, and no credit will be given for assignments and/or exams that have not been submitted on time. Relevant deadlines will be posted clearly on the ELMS. University of Maryland's policy on excused absences applies (see below for further guidance).

Course outline (tentative and subject to change):

Below is a tentative outline for the course, which covers key foundational ideas that have been broadly established and accepted in the economics profession (Table 2). In addition to information provided in the course textbook and pre-lecture notes, additional material will be distributed throughout the course (some are listed below and will be posted on the ELMS/Canvas). They are intended to enhance students learning experience and develop their capacity to understand economics.

Table 2: Course outline (tentative, subject to change)

Week:	Lecture topic/Assignments:	Notes/Chapters:
Week # 1 June 1, 2021 (PP)	Introduction and preliminaries Discussion Topic # 1 and HW # 1	NGM: Chapters 1 – 3 Pre-lecture notes
Additional reading:	Erik Brynjolfsson and Andrew McAfee, 2015, "Will Humans Go The Way of Horses?", Foreign Affairs Silvana Tenreyro, 2018, "Models in Macroeconomics, Bank of England Karen Dynan and Louise Sheiner, 2018, "GDP as a Measure of Economic Well-Being", Hutchins Center Federal Reserve System, 2020, "Economic Well-Being of U.S. Households: July 2020 Results"	
Week # 2 June 8, 2021 (PP)	Economy in the long run Discussion Topic # 2 and HW # 2	NGM: Chapter 8 Pre-lecture notes
Additional reading:	Richard H. Adams, Jr., 2003, "Economic Growth, Inequality and Poverty", The World Bank Burcu Aydin, 2011, "Ghana: Will It Be Gifted or Will It Be Cursed?", International Monetary Fund (IMF)	

Robert J. Barro, 1999, "Inequality, Growth, and Investment, National Bureau of Economic Research (NBER)
 Peter Klenow and Huiyu Li, 2017, "Missing Growth from Creative Destruction", Federal Reserve Bank of San Francisco

Week # 3
 June 15, 2021
 Economy in the long run (cont.)
 Discussion Topic # 3; HW # 3
 (PP)

NGM: Chapter 9 and Appendix to Ch. 9
 Pre-lecture notes

Additional reading: Francesco Caselli, 2004, "Accounting for Cross-Country Income Differences", NBER
 Christian Ebeke, 2014, "Private Saving Accelerations" IMF
 Charles Yuji Horioka and Junmin Wan, 2006, "The Determinants of Household Saving in China", NBER
 Young Eun Kim and Norman V. Loayza, 2019, "Productivity Growth: Patterns and Determinants Across the World", World Bank
 Gregory N. Mankiw, David Romer, and David N. Weil, 1992, "A Contribution to the Empirics of Economic Growth", Quarterly Journal of Economics
 Marta Ruiz-Arranz, 2003, "Wage Inequality in the U.S.: Capital-Skill Complementarity Vs. Skill-Biased Technological Change", Harvard University

Week # 4
 June 22, 2021
 Economic fluctuations
 Chapters 5, 7,
 Discussion Topic # 4; HW # 4
 (PP)

NGM:
 10, and 14
 Pre-lecture notes

Additional reading: David H. Autor, 2015, "Why Are There Still So Many Jobs?", Journal of Economic Perspectives
 Pedro Brinca, Joao B. Buarte, and Miguel Faria-e-Castro, 2020, "Is the Covid-19 Pandemic a Supply or a Demand Shock?", Federal Reserve Bank of St. Louis
 Michael F. Bryan and Brent Meyer, 2010, "Are Some Prices in the CPI More Forward Looking than Others?", Federal Reserve Bank of Cleveland
 Mark Carney, 2018, "The Future of Money", Bank of England
 Andrew Foerster and Lily M. Seitelman, 2020, "Permanent and Transitory Effects of the 2008 – 09 Recession", Federal Reserve Bank of San Francisco
 Mary C. Daly, John Fernald, Oscar Jorda, and Fernanda Nechio, 2014, "Interpreting Deviations from Okun's Law, Federal Reserve Bank of San Francisco

Kristin J. Forbes, 2019, "Inflation Dynamics: Dead, Dormant, or Determined Abroad?", MIT
 Janet Koech, 2011, Hyperinflation in Zimbabwe, Federal Reserve Bank of Dallas
 Arto Kovanen, 2007, "Price Variability Under Price Level Stability", IMF Staff Papers
 Filippo Occhino, 2019, "The Flattening of the Phillips Curve", Federal Reserve Bank of Cleveland

Week # 5 June 29, 2021 (PP)	Economy in the short run No new assignments	NGM: Chapter 11 Pre-lecture notes
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Additional reading: Regis Barnichon, Davide Debortoli, and Christian Matthes, 2021, "Understanding the Size of the Government Spending Multiplier", Federal Reserve Bank of San Francisco
 Olivier Blanchard, 2020, "The Covid Economic Crisis", Additional Chapter for Macroeconomics, 8th Edition
 Charles J. Whalen and Felix Reichling, 2015, "The Fiscal Multiplier and Economic Policy Analysis in the United States"

Week # 6 July 6, 2021	Midterm exam Covers Lectures # 1 – 4	Online, open books
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Week # 7 July 13, 2021 (PP)	Economy in the short run (cont.) Discussion Topic # 5; HW # 5	NGM: Chapter 12 Pre-lecture notes
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Additional reading: Regis Barnichon, Davide Debortoli, and Christian Matthes, 2021, "Can Government Spending Help to Escape Recessions?", Federal Reserve Bank of San Francisco
 Luis Catao and Marco E. Terrones, 2003, "Fiscal Deficit and Inflation", IMF
 Giancarlo Corsetti and Gernot Muller, 2008, "The Effectiveness of Fiscal Policy Depends on the Financing and Monetary Policy Mix", VOX, CEPR Policy Portal
 Richard Hemming, Michael Kell and Selma Mahfouz, 2002, "The Effectiveness of Fiscal Policy in Stimulating Economic Activity", IMF
 Bostjan Jazbec and Biswajit Banerjee (eds.), 2017, "Rethinking Monetary – Fiscal Policy Coordination", Bank of Slovenia

Week # 8 July 20, 2021 (PP)	Money, inflation, and interest rates Discussion Topic # 6; HW # 6	NGM: Chapters 4, 15 Pre-lecture notes
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Additional reading: Alan S. Blinder, 2008, "Sixteen Questions and About Twelve Answers", Princeton University
Richard H. Clarida, 2020, "The Federal Reserve's New Framework", Federal Reserve System
John H. Cochrane, 2020, "Rethinking Monetary Policy and Independence", Federal Reserve Bank of St. Louis
Troy Davig and Andrew Foerster, 2021, "Communicating Monetary Policy Rules", Federal Reserve Bank of San Francisco
Sungki Hong and Hannah G. Shell, 2019, "The Global Decline of the Natural Rate of Interest", Federal Reserve Bank of St. Louis
Athanasios Orphanides, 2007, "Taylor Rules", Federal Reserve Board
William Poole, 2007, "Understanding the Fed", Federal Reserve Bank of St. Louis
Garreth Rule, 2015, "Understanding the Central Bank Balance Sheet", Bank of England
Andrea Schaechter, 2011, "Implementation of Monetary Policy and the Central Bank's Balance Sheet", IMF

Additional reading: Mohammad Davoodalhosseini and Francisco Rivadeneyra, 2018,
(on crypto currencies) "A Policy Framework for E-Money", Bank of Canada
Arto Kovanen, 2019, "Competing with Bitcoin – Some Policy Consideration for Issuing Digitalized Legal Tenders", International Journal of Financial Research
Arto Kovanen, 2019, "Will the Libra Become a Supranational Currency?", unpublished manuscript
Scott A. Wolla, 2018, "Bitcoin: Money or Financial Investment?", Federal Reserve Bank of St. Louis
David Yermack, 2013, "Is Bitcoin a Real Currency?", NBER

Week # 9	Financial markets and banking	NGM: Chapter 18
July 27, 2021	Discussion Topic # 7; HW # 7 (PP)	Pre-lecture notes

Additional reading: Remy Beauregard and Mark M. Spiegel, 2020, "Commercial Banks Under Persistent Negative Rates", Federal Reserve Bank of San Francisco
Bank of International Settlements (BIS), 2008, "Transmission Mechanisms for Monetary Policy in Emerging Market Economies", BIS
Timo Henckel, Alain Ize, and Arto Kovanen, 1999, "Central Banking Without Central Bank Money", IMF
Arto Kovanen, 2011, "Monetary Policy Transmission in Ghana", IMF

Michael McLeay, Amar Radia and Ryland Thomas, 2014,
"Money Creation in the Modern Economy", Bank of England

Week # 10
August 3, 2021

Open economy extension of the IS – LM NGM: Chapters 6, 13
Discussion Topic # 8; HW # 8 Pre-lecture notes
(PP)

Additional reading: Jacob A. Frenkel and Assaf Razin, 1987, "The Mundell-Fleming Model", NBER
IMF, 2014, "Exchange Rates: Concepts, Measurements, and Assessment", IMF
Mariam El Hamiani Khatat, Mark Buessing-Loercks, and Vincent Fleuriet, 2020, "Monetary Policy Under an Exchange Rate Anchor", IMF
Paul Krugman, 2018, "Globalization: What Did We Miss?"
Devansh Lathia, 2018, "How Soros Broke the British Pound", The Economic Review
Carmen M. Reinhart, 2020, "A Short Tour of Global Risks", Federal Reserve Bank of St. Louis

Week # 11 Special topics (case study) NGM: Chapters 16
August 10, 2021 No new assignments (incl. Appendix to
Ch.

16) and 17
Pre-lecture notes

(PP)

Additional reading: Central Bank of Iceland, 2018, "Ten Years Later – Iceland's
Crisis and Recovery", Central Bank of Iceland
IMF, 2012, "Iceland: Ex Post Evaluation", IMF

Week # 12 **Final exam** Online, open books
August 17, 2021 Covers Lectures # 5, 7 – 11

Standard Program Policies and Information

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland "directory ID" and password.

Email: The University has adopted email as the primary means of communication outside the classroom. It will be used to inform students of important announcements. Students are responsible for updating their current email address via the website link <http://www.registrar.umd.edu/current/> (Under the first major heading of "Online Transactions" there is a link to "Update Contact Information".)

Contact Hours: Three credit master's-level courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly meetings only satisfy 80% of the university's contact requirement. The other 20% is satisfied by weekly mandatory and graded online contact. In principle, the contact hours requirement could be satisfied by scheduling 3 additional 150-minute meetings per term, or 6 additional 75-minute meetings, or 10 additional 45-minute meetings. But in practice the contact hours requirement is satisfied by the weekly online discussions. The weekly online discussions are a more flexible way to ensure that our program's courses in DC provide the same level of student-instructor contact as the traditional 15-week face-to-face version of the same course when it is taught on campus in College Park.

Work load: Mastering the material covered in this course requires a significant amount of work outside of classroom. Students should expect to spend more time outside of classroom than in class – typically at least twice as much time.

Academic Integrity: The University of Maryland, College Park has a nationally recognized Code of Academic Integrity. This Code sets standards for academic integrity at Maryland for all undergraduate and graduate students. As a student you are responsible for upholding these standards for this course. It is very important for you to be aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information on the Code of Academic Integrity or the Student Honor Council, please visit <http://www.studentconduct.umd.edu>

Student Conduct: Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.

Excused Absences: The University of Maryland's policy on excused absences is posted here: <http://www.president.umd.edu/administration/policies/section-v-student-affairs/v-100g>

Please note:

If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor’s – to get yourself caught up in the course. Instructors routinely facilitate things by posting lecture notes, etc.

If you need to miss an exam or other graded course requirement because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an "Incomplete". In such cases you must negotiate a plan with your instructor for completing the course requirements. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

School Closings and Delays: Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669). Since our program is an evening program in downtown Washington, DC, rather than a day program in College Park, we do not always cancel classes on the same days as the College Park campus. The program director will always announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue.

UMD Counseling Center: Sometimes students experience academic, personal and/or emotional distress. The UMD Counseling Center in Shoemaker Hall provides comprehensive support services that promote personal, social, and academic success. The cost of these services is covered by the fees you already paid when you registered for classes, and there is no additional charge if you use the services. Proactively explore the range of services available, including the Counseling Service, Accessibility and Disability Service, Learning Assistance Service, and the Testing Office, all described at <http://www.counseling.umd.edu/>

Students with Disabilities: The University of Maryland does not discriminate based on differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, or national origin. Reasonable accommodations will be arranged for students with documented disabilities. Students who have an accommodations letter from the Accessibility and Disability Service (ADS) should meet with me during the first week of the term to discuss and plan for the implementation of your accommodations. If you require reasonable accommodations but have not yet registered with ADS, please contact the Accessibility and Disability Service at 301-314-7682 or adsfrontdesk@umd.edu.

Academic Progress: The UMD Graduate School requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program's director to petition the graduate school if they want to remain enrolled in the program. The petition must include a plan for getting the student's GPA up to at least 3.0. Students who do not live up to their plan can have their enrollment in the program terminated without having earned the degree. Note: a grade of "B" corresponds to a GPA of 3.0. A grade of "B-" corresponds to a GPA of 2.7.

Laptop Computer Requirement: Completing some of this course's requirements will require a laptop computer (not a notebook or a tablet!) with at least 1 GB of RAM and at least 5 GB of free space available on the hard drive. We recommend laptops with a 15-inch screen. Screens smaller than 13 inches are probably not practical. Because this is an online course, students also need a webcam and a microphone. Students are expected to participate in synchronous class meetings and office hours with their camera on.