



**Boston University Study Abroad**  
London

**Boston University Study Abroad London**  
**British Macroeconomic Policy**  
**CAS EC 360 (*Elective B*)**  
**Spring 2016**

**Instructor Information**

A. Name	Dr Chiara Amini
B. Day and Time	Mondays, 9:00AM – 1:00PM (Tuesday 12 <sup>th</sup> April)
C. Location	Harrington Room (2nd Floor), 43 Harrington Gardens, SW7 4JU
D. BU Telephone	020 7244 6255
E. Email	aminic@bu.edu
F. Office hours	By appointment

**Overview**

The UK and world economies have undergone profound change in the last 65 years concerning macro-economic management, exchange rate regimes, and foreign trade patterns and have been shocked by the re-emergence of deep recession and high levels of public debt in the past decade.

The course develops a contemporary macroeconomic model to provide an integrated view of macroeconomics which will help to understand major macroeconomic issues of the day. It will focus on the UK and also Europe, USA and the global economy as you cannot understand macro issues facing a country like Britain, a small open economy, without seeing the global macroeconomic context.

This course provides an analysis of contemporary UK macroeconomic issues with a focus on output, unemployment and inflation, macroeconomic policy in an open economy, central bank independence, the 2008 Financial Crisis and the role of monetary and fiscal policy as stabilisation tools, and the issue of high public debt. The economic analysis includes comparisons, where appropriate, with other European Union economies and the United States. The course examines the roles of the market and government in determining policy outcomes. The level of the course is introductory/intermediate and assumes you have completed an introductory one or two semester course in macroeconomics, but the course may be studied by those new to economics.

On completion of the course, you should be able to integrate analytical and descriptive material to aid your understanding of the nature and causes of some key contemporary macroeconomic problems in modern advanced economies. In addition you will be familiar with the macroeconomic policies used within the UK and have some knowledge of relevant source material. This module will enable you to:

- use macroeconomic models to analyse the impact of various economic shocks, including those that arise from government policy actions;

- produce coherent and well-argued critical explanations of and solutions for a wide variety of macroeconomic problems;
- apply macroeconomic analyses to the analysis of real-world economic problems in economies such as those of the UK, EU, and USA;
- identify the appropriate model to use to consider a particular macroeconomic problem or question and to consider the analysis critically.

### Teaching Strategy

The course will be delivered using lectures and seminars. Lectures will identify the main points of each topic and provide an explanation of, and comment on the relevant analytical material. Seminars require you to have read the recommended material, enabling you to participate fully in class discussion including through the solution of macroeconomic theory and policy problems.

### Assignments and Grading

You are required to submit one 2000 word paper (50% of the total marks) and complete a two hour examination (50% of the total marks).

For the paper you will be offered a choice of questions, with associated reading. The paper must be submitted by the final class on **Monday 18<sup>th</sup> April 2016 at 1:00PM.**

The final examination will be held on **Thursday 21<sup>st</sup> April 2016.** Exam times and locations will be posted on the BU London website and in the Student Newsletter two weeks before exam dates.

### Grading

Please refer to the Academic Handbook for detailed grading criteria and policies on plagiarism: <http://www.bu.edu/london/current-semester>

*\* Final Grades are subject to deductions by the Academic Affairs Office due to unauthorised absences.*

### Attendance

#### **Classes**

All Boston University Study Abroad London Programme students are expected to attend each and every class session, tutorial, and field trip in order to fulfill the required course contact hours and receive course credit. Any student that has been absent from two class sessions (whether authorised or unauthorised) will need to meet with the Directors to discuss their continued participation on the programme.

#### *Authorised Absence:*

Students who expect to be absent from any class should notify a member of Academic Affairs and complete an Authorized Absence Approval Form 10 working days in advance of the class date (except in the case of absence due to illness, for which students should submit the Authorised Absence Approval Form with the required doctor's note as soon as possible). **Please note: Submitting an Authorised Absence Approval Form does not guarantee an authorised absence**

Students may apply for an authorised absence only under the following circumstances:

- Illness, supported by a local London doctor's note (submitted with Authorised Absence Approval Form).

- Important placement event that clashes with a class (verified by internship supervisor)
- Special circumstances which have been approved by the Directors (see note below).

**The Directors will only in the most extreme cases allow students to leave the programme early or for a significant break.**

*Unauthorised Absence:*

Any student to miss a class due to an unauthorised absence will receive a **4% grade penalty** to their final grade for the course whose class was missed. This grade penalty will be applied by the Academic Affairs office to the final grade at the end of the course. As stated above, any student that has missed two classes will need to meet with the Directors to discuss their participation on the programme as excessive absences may result in a 'Fail' in the class and therefore expulsion from the programme.

*Lateness*

Students arriving more than 15 minutes after the posted class start time will be marked as late. Any student with irregular class attendance (more than two late arrivals to class) will be required to meet with the Assistant Director of Academic Affairs and if the lateness continues, may have his/her final grade penalised.

## **Teaching Schedule and Readings**

### **Key Text**

Blanchard, Olivier, Alessia Amighini and Francesco Giavazzi (2013). Macroeconomics A European Perspective, Pearson, 2<sup>nd</sup> Edition.

### **Supplementary Texts**

Burda, Michael & Wyplosz, Charles (2013) Macroeconomics: A European Text. (6th Edition) Oxford University Press

Snowdon, Brian and Howard R Vane (2005). Modern Macroeconomics. Its Origins, Development and Current State, Edward Elgar.

[Download](#)

## Course Chronology

### **Monday 22nd February**

#### **Lecture 1     Historical Background and Contemporary Macro Issues**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapters 1-3

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapters 1-2

IMF (2014). '2014 Review of the UK Economy'.

[download](#)

Olivier Blanchard on the current macroeconomic outlook from April 2012

<http://www.imf.org/external/mmedia/view.aspx?vid=1405275153001>

Economic Report of the President (2013). 'Recovering from the past and preparing for the future', Chapter 1, pp. 21-40, Washington, DC: Government Printing Office.

[Download](#)

### **Monday 29<sup>th</sup> February**

#### **Lecture 2     The Keynesian IS-LM Model and Macroeconomic Policy**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 4 (pp.61-70), and Chapter 5

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapter 3

Video:

Carlo Cottarelli, Director, Fiscal Affairs Department, IMF discusses the tightrope for current fiscal policy. <http://www.imf.org/external/mmedia/view.aspx?vid=1408598317001>

### **Monday 7th March**

#### **Lecture 3     Open Economy Macroeconomics**

Core Reading

Blanchard, O. *Macroeconomics*, Chapters 6-7.

Supplementary Reading/Viewing

Economic Report of the President (2013). 'International Trade and Competitiveness', Chapter 7, pp. 209-236, Washington, DC: Government Printing Office.

## Monday 14<sup>th</sup> March

### Lecture 4 Great Recessions in Advanced Economies

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 20

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapters 1-2.

Bernanke, B (2013) 'What should economists and policy makers learn from the financial crisis',

[DOWNLOAD](#)

<http://www.lse.ac.uk/newsAndMedia/videoAndAudio/channels/publicLecturesAndEvents/player.aspx?id=1856>

Joseph Stiglitz on Youtube:

<http://www.youtube.com/watch?v=CUGlpy6caJU>

Brad de Long (2009). 'Macroeconomic Policy: When Bubbles Matter' - on the crisis, giving some idea of modern disagreements between macroeconomists and policy makers

<http://www.youtube.com/watch?v=2OQm-bCbvtY>

### Humour

"Fear the Boom and Bust" a Hayek vs. Keynes Rap Anthem

<http://www.youtube.com/watch?v=d0nERTFo-Sk>

## Monday 21<sup>st</sup> March

### Lecture 5 Great Recessions in Emerging Economies (Guest Speaker: Robin Sherbourne)

Core Reading

Beck T., Demirgüç-Kunt A. and Levine R. (2009), *Financial Institutions and Markets across Countries and over Time. Data and Analysis*, Policy Research Working Paper, n. 4943, The World Bank.

<https://openknowledge.worldbank.org/bitstream/handle/10986/4154/WPS4943.pdf?sequence=1>

Berkmen S.P., Gelos G., Rennhack R. and Walsh J.P. (2012), 'The global financial crisis: Explaining cross-country differences in the output impact', *Journal of International Money and Finance*, 31, 42–59.

<https://www.imf.org/external/pubs/ft/wp/2009/wp09280.pdf>

Claessens S., Dell'Ariccia G., Igan D., and Laeven L. (2010), "Cross-Country Experiences and Policy Implications from the Global Financial Crisis", *Economic Policy*, 62, 267–293.

<https://www.imf.org/external/pubs/ft/wp/2010/wp1044.pdf>

Claessens S. and Ayhan Kose M. (2013), “Financial Crises: Explanations, Types, and Implications”, IMF Working Paper, 28.

<https://www.imf.org/external/pubs/ft/wp/2013/wp1328.pdf>

### **Monday 4<sup>th</sup> April**

#### **Lecture 6     Unemployment and the Labour Market**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 8

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapter 3

Blanchard, O. (2006). “European unemployment: the evolution of facts and ideas”, *Economic Policy*, volume 21, number 45, pp 5-59.

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### **Monday 11<sup>th</sup> April**

#### **Lecture 7     Policy Analysis in the Short and Medium Run: The AS-AD Model**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 9

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapter 7

### **Tuesday 12<sup>th</sup> April**

#### **Lecture 8     Greece and the Eurozone Crisis**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 10

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapter 4-5

### **Monday 18<sup>th</sup> April**

#### **Lecture 9     Revision; Paper due.**

\* **Contingency Class Date: Wednesday 20<sup>th</sup> April.** Students are obligated to keep this date free to attend class should any class dates need to be rescheduled.

**Thursday 21<sup>st</sup> April: Final Exam.** Exam times and locations will be posted on the BU London website and in the Student Newsletter two weeks before exam dates.

## **Further Reading**

Useful web sites include:

UK Treasury [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

Bank of England <http://www.bankofengland.co.uk/>

The Institute for Fiscal Studies (IFS) <http://www.ifs.org.uk/>

National Institute of Social and Economic Research <http://niesr.ac.uk/>

European Union [www.europa.eu.int](http://www.europa.eu.int)

Institute for Public Policy Research [www.ippr.org.uk](http://www.ippr.org.uk)

UK National Statistics <http://www.statistics.gov.uk/hub/index.html>

OECD <http://www.oecd.org/>

International Monetary Fund (IMF) <http://www.imf.org/external/index.htm>

The World Bank <http://www.worldbank.org/>

It is recommended that you read, on a regular basis, the Financial Times, the business sections of the broadsheet/compact press and weekly publications such as the Economist.

Additional reading for classroom discussion and/or assignments – newspaper articles, journal articles – will be distributed and copies placed in the Library.

### ***Useful Websites:***

Blogs of some leading international macroeconomists are:

Gregory Mankiw:

<http://gregmankiw.blogspot.co.uk/>

Paul Krugman:

<http://krugman.blogs.nytimes.com/>

John Taylor:

<http://johnbtaylorblog.blogspot.com/>

### **Terms and Conditions**

Students must check their email and the weekly Student Newsletter.

Students wanting further information and advice on any aspect of the course should email me or see me at the end of classes.

Chiara Amini

January 2016