



**Boston University Study Abroad**  
London

**Macroeconomics in Contemporary Europe**  
**CAS EC 360 (*Elective B*)**  
**[Semester] [Year]**

**Instructor Information**

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**Overview**

The European 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.

This course covers central theoretical concepts and models aimed at understanding key topics in macroeconomics. In particular, the first part of the course focuses on the short (year-to-year) and medium (over 10 years) run, while in the second half we focus on long run determinants of economic growth. At the end of this course you will be able to master fundamental macroeconomic concepts as well as to understand key macroeconomic processes. You will be trained to analyse and interpret macroeconomic data, in the light of relevant theoretical models and you will also get a deeper understanding of the role of macroeconomic policies.

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.

**Course Objectives and Hub-aligned Course Objectives**

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. This course 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;
- research and analyse real macroeconomic data, present and interpret your findings;

- obtain an understanding of key economic issues from historical perspective (namely financial crisis and economic growth).

### *Social Inquiry II Learning Outcome 1*

The course employs principles and methods utilised by economists, and also by social scientists in general, to analyse some of the most important contemporary economic challenges. More specifically we will use both theoretical models (explained using both algebra and graphs) as well as relevant empirical evidence. The combined use of theories and the analysis of existing empirical evidence will give you the tools needed to understand some of today's pressing economic issues. You will have an understanding of how economic models can lead to the formulation of testable hypotheses.

You will learn how hypotheses formulated on the basis of well-known economic models can be tested with data and appropriate quantitative methodologies, through the study of relevant empirical papers and the use of real macroeconomic data to directly observe if trends in certain variable of interest are in line with the model predictions.

### *Social Inquiry II Learning Outcome 2*

Although the course focuses on macroeconomic issues and policies, the aim is to offer a broader view on the factors that shape policy-making. Hence you will learn how economic variables do not operate in a void but within a specific institutional and political context that must be taken into account to formulate effective policies. We will watch several videos on recent macroeconomics trends and read academic articles that analyse recent macroeconomic policy developments. You will be given some questions that aim at assessing how the implementation and the effectiveness of the policies it is dependent on the country overall specific institutional and political environment.

### **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. In the seminars we will carry out a diverse range of activities such as: numerical exercises, multiple choice questions, presentations and the discussion of videos. We will also have 3 lab sessions where you download and analyse real macroeconomic data under the guidance of the instructor.

### **Assignments**

You are required to complete:

#### **Formative Assignment(s)**

a **group presentation** (10% of the total marks) in week 6

#### **Summative Assignments**

a 3000-word **individual paper** (40% of the total marks) in week 7

a two-hour **final examination** in week 10 (50% of the total marks).

The presentation consists of a 20-minute group presentation on the macroeconomic outlook of a chosen European country. Further details on the presentation will be provided in the class.

Following your group presentation your group will receive written feedback from the instructor on your work. You will use such feedback to turn the presentation into an individual written macroeconomic report on the chosen country. The written paper must be submitted online on **[Date]**.

The final examination will be held on **[Date]**. Exam times and locations will be posted on the BU London website two weeks before exam dates.

## **Grading**

The following Boston University table explains the grading system that is used by most faculty members on Boston University's Study Abroad London Programmes.

<u>Grade</u>	<u>Honour Points</u>	<u>Usual %</u>
A	4.0	93-100
A-	3.7	89-92
B+	3.3	85-88
B	3.0	81-84
B-	2.7	77-80
C+	2.3	73-76
C	2.0	69-72
C-	1.7	65-68
D	1.0	60-64
F	0.0	Unmarked

### **Grading Criteria**

'**Incomplete**' or **I** grades are not permitted because of the obvious difficulty in making up missed work once the student has left the country. All work must be completed on time. We also do not allow '**Audits**' (AU), '**Withdrawals**' (W), or '**Pass/Fail**' (P) grades.

The grades reflect the quality of the work. Lecturers and students should use the following criteria for an understanding of what each grade means.

**A** This exceptional grade is assigned only to work that has persistently outstanding quality in both substance and presentation. The student must demonstrate a sustained capacity for independent thought and extensive study, producing rigorous and convincing analyses in well-ordered prose.

**A-** Awarded to work that is clearly focused and analytical, and based on wide reading. The student must cover all the principal points of a question and systematically develop a persuasive overall thesis, allowing for one or two venial omissions or inapt expressions.

**B+, B, B-** This range of grades indicates that the student has shown some evidence of original thought and intellectual initiative. The student has cited sources beyond the class materials, and shown a degree of originality in perception and/or approach to the subject. The work will show thoughtful management of material, and a good grasp of the issues. The differences between a B+, a straight B and a B- may reflect poor presentation of the material, or mistakes in punctuation, spelling and grammar.

**C+, C, C-** Work in this grade range is satisfactory, but uninspiring. If the work is simply a recitation of the class materials or discussions, and shows no sign of genuine intellectual engagement with the issues, it cannot deserve a higher grade. Should an essay fail to provide a clear answer to the question as set, or argue a position coherently, the grade will fall within this range.

Quality of presentation can lift such work into the upper levels of this grade range. Work of this quality which is poorly presented, and riddled with errors in grammar, spelling and punctuation, will fall into the lower end of the range. To earn a C grade, the work must demonstrate that the

student is familiar with the primary course material, be written well enough to be readily understood, be relevant to the assignment, and, of course, be the student's own work except where properly cited.

**D** A marginal pass can be given where some but not all the elements of the course have been completed satisfactorily.

**F** The failing grade indicates the work is seriously flawed in one or more ways:

- Obvious lack of familiarity with the material
- So poorly written as to defy understanding
- So brief and insubstantial that it fails to properly address the subject
- Material presented is not relevant to the assignment
- Demonstrates evidence of plagiarism (see following section in Academic Conduct Code)

Please refer to the Academic Handbook for detailed grading criteria and policies on plagiarism.  
*\* Final Grades are subject to deductions by the Academic Affairs Office due to unauthorised absences.*

## **Attendance**

### **Classes**

All Boston University London Programme students are expected to attend each and every class session, seminar, and field trip in order to fulfil 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 Authorised Absence Approval Form 10 working days in advance of the class date (except in the case of absence due to illness for more than one day. In this situation students should submit the Authorised Absence Approval Form with the required doctor's note as soon as possible). The Authorised Absence Approval Request Form is available from:  
<https://www.bu.edu/london/report-absence/>

### **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 (first day of sickness):** If a student is too ill to attend class, the student must phone the BU London Student Affairs Office (who will in turn contact the student's lecturer).
- **Illness (multiple days):** If a student is missing more than one class day due to illness, the student must call into to the BU London Student Affairs Office each day the student is ill. Students must also provide the Student Affairs Office with a completed Authorised Absence Approval Form and a sick note from a local doctor excusing their absence from class.
- 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.

### **Religious Holidays**

Boston University's Office of the University Registrar states:

'The University, in scheduling classes on religious holidays and observances, intends that students observing those traditions be given ample opportunity to make up work. Faculty members who wish to observe religious holidays will arrange for another faculty member to meet their classes or for cancelled classes to be rescheduled.'

### **Special Accommodations**

Each student will need to contact Disability and Access Services to request accommodations for the semester they are abroad. Students are advised by BU-DAS not to expect the same accommodations as they receive on campus.

BU London can only uphold special accommodations if we have received the appropriate documentation from BU-DAS. We cannot accept letters from other universities/centres.

All disabilities need to be known to DAS at Boston University if they are to be used as a reason for requiring a change in conditions, i.e. reduced internship hours or special accommodations for the internship schedule.

### **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 Associate Director for 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 (2017). *Macroeconomics A European Perspective*, Pearson, 3<sup>rd</sup> Edition.

Core Econ Textbook - <https://www.core-econ.org/>

#### **Supplementary Texts**

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

## Course Chronology

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

In the first week, we set the stage for this course: we describe some recent macroeconomic trends in Europe and introduce the key macroeconomic indicators discussed throughout the course (aggregate output, unemployment and inflation rate). We then start developing the short-term analysis of macroeconomic fluctuations. We develop a simple Keynesian model to describe the determination of equilibrium output and introduce the concept of the multiplier.

#### Core Reading

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

#### Supplementary Reading/Viewing

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

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](#)

#### Seminar 1

Viewing and discussion of two videos

#### **GDP and Happiness**

<http://www.ted.com/watch/ted-institute/ted-bcg/vincent-chin-exploring-more-effective-ways-to-measure-a-nation-s-success>

#### **Happiness and Recessions**

<http://www.youtube.com/watch?v=cOsWih883v8>

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

This week we look at the demand for and supply of money in the economy and the determination of the interest rate. Based on the models for the Goods Market (IS-relation) and for the Financial Market (LM-relation) discussed we construct a unified model for the short-run demand side: the IS-LM model. The framework allows understanding the impact of shock on output on the short run. We also analyse the impact of fiscal and monetary policy on output and interest rate in the short run in a close economy.

#### Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 4 and 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>

#### Seminar 2:

Exercises on Lecture 1

Lab Session 1: Measuring Well-being

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

The first part of the lecture discusses the equilibrium in the goods market for an open economy, and how domestic and foreign shock, as well as movements in the exchange rate, impacts on output and trade balance. The second part of the lecture extends the model developed in Lecture 2, so that we can incorporate the exchange rate into our analysis. We will conclude with a discussion on the role of macroeconomic policy under fixed and flexible exchange rate.

#### Core Reading

Blanchard, O. *Macroeconomics*, Chapters 17, 18, 19 and 20.

#### Supplementary Reading/Viewing

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

#### Seminar 3

#### Exercises on Lecture 2

### **Lecture 4 The Medium Run: Unemployment and the Labour Market**

The lecture provides an overview of the labour market and we develop a model that explains the factors that affect unemployment in the medium run. We also discuss the relationship between unemployment and inflation and analyse how such a relationship has changed over the last century with a focus on Europe.

#### Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 7 and 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.

#### Seminar 4:

#### Exercises on Lecture 3

Lab Session 2: Measuring the non-monetary cost of unemployment

### **Lecture 5 Lab Session: Investigating the effect of fiscal and monetary policy on output**

We will carry out a structured empirical exercise using real macroeconomic data. Your task is to produce a short macroeconomic report on a European country of interest. You will first present your findings with a group presentation and then you will submit a written piece of work. This report will be submitted as your term time assignment in week 7. Further instructions will be provided in the class.

#### Seminar 5:

#### Exercises on Lecture 4

### **Lecture 6 a) Group Presentations**

### **Lecture 6 b) Guest Lecture 2- Bitcon – Dr Silvia Dal Bianco (UCL)**

## **Lecture 7 An Historical Discussion of Economic Crisis in Advanced Economies**

This week we analyse three key periods in the last one hundred years of economic history in developed economies and summarise the main policy lessons that emerge from such historical analysis. There have been three distinctive economic epochs in the hundred years following the First World War—the Roaring Twenties and the Great Depression, the golden age of capitalism and stagflation, and the great moderation and subsequent financial crisis of 2008. We look at the triggers of the crisis in each period and how economists have dealt with the crisis.

### Core Reading

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

Core Econ Textbook - Chapter 17 -

<https://core-econ.org/the-economy/book/text/0-3-contents.html>

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>

### Seminar 6

Exercises on Lecture 4

### **b) Great Recessions in Emerging Economies (Guest Speaker: Dr Eugene Nivorozkin, UCL)**

The guest lecturer will analyse the impact of the latest economic crisis on emerging markets.

Core Reading

Lecture slides

Optional Readings

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>

## **Submission of Written Group Coursework – Online Submission on Blackboard**

### **Lecture 8 The Long Run: Economic Growth – Part I**

This week we take a broader look at economic growth in the past 2000 years. Looking at historical data, we will discuss how growth in income per capita stagnated until the industrial revolution. Around 1850 growth took off, but only in some countries, so that some regions in the world became richer and some did not, a process known as the Great Divergence. The goal of the lecture is to explain why some countries are rich and many are poor. We will consider three competing theories developed by a historian, social scientist and economist.

Core Reading

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

### **Lecture 9 The Long Run: Economic Growth- Part II**

In the light of what has been discussed in Lecture 8, we now focus on how economists explain economic growth. We introduce a standard Solow model to understand how technology, capital accumulation and savings affect growth in the long run.

#### **Reading**

Core Reading

Blanchard et al. *Macroeconomics A European Perspective*, Chapter 11 and 12

Supplementary Reading/Viewing

Snowdon & Vane: *Modern Macroeconomics*, Chapter 7

#### **Seminar 9:**

Discussion of articles related to lecture 8

## **Lecture 10    Revision**

This week we will revise all the key concepts covered throughout the term. During the seminar we will solve a sample examination paper and we will dedicate the remaining time to class discussion.

\* **Contingency Class Date:** [Date] Students are obligated to keep this date free to attend class should any class dates need to be rescheduled.

**[Date]: Final Examination.** Examination times and locations will be posted on the BU London website two weeks before examination 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**

You must check your email.

For further information and advice on any aspect of the course, you should email me or see me at the end of classes.