

**Intermediate Macroeconomics – 7.5 credits**  
**Intermediate level, autumn 2012**

**Lecturer: Lars Calmfors**

**Lecture plan**

<b>Date</b>	<b>Time</b>	<b>Room</b>	<b>Contents</b>
Thu Sep 6	9-12	G-salen	Saving, investment, budget balance and real interest rates in closed economies. The relationship between budget balance and the current account in open economies. The determination of the real exchange rate. Current imbalances globally and in the euro area. <i>Mankiw Chs. 3 and 5, EEAG report Ch. 1.</i>
Mon Sep 10	9-12	A2	The production function. Economic growth. Growth accounting. The Solow model. Population growth and technological progress. Theories of endogenous growth. The role of institutions. <i>Mankiw Chs. 3, 7-8.</i>
Wed Sep 12	9-12	G-salen	Theories of equilibrium unemployment. Stocks and flows in the labour market. Labour market developments in Sweden, Europe and the US. Wage setting and employment. Different wage-bargaining systems. Recent Swedish labour market reforms: unemployment insurance and earned income tax credits. <i>Mankiw Ch. 6, Swedish Fiscal Policy 2012, Ch. 5.</i>
Thu Sep 20	13-16	A2	Nominal exchange rates and interest rates. Spot and forward foreign exchange markets. Monetary policy and exchange rates. The long-run price level. Exchange rate overshooting. <i>Krugman-Obstfeld-Melitz Chs. 14-15.</i>

Mon Sep 24	9-12	A2	Purchasing power parity (PPP). The AA-DD model. Output and flexible exchange rates in the short run. Monetary and fiscal policy under a flexible exchange rate. <i>Krugman-Obstfeld-Melitz Chs. 16-17.</i>
Fri Sep 28	9-12	A2	Stabilisation policy under a flexible exchange rate (cont.). Zero interest rates and the economic crisis. Fixed exchange-rate systems. Output and fixed exchange rates. Stabilisation policy under a fixed exchange rate. Speculative attacks. <i>Krugman-Obstfeld-Melitz Chs. 17-18.</i>
Mon Oct 1	9-12	G-salen	Optimal currency areas. Benefits and costs of EMU membership. Asymmetric shocks. Macroeconomic imbalances and real exchange rates within the eurozone. Sweden's crisis in the 1990s. Need for real depreciation with a common currency. Sweden and the euro. <i>Krugman-Obstfeld-Melitz Ch. 20, EEAG report Sections 1.2.5, 1.3, 1.4.5, 1.4.6 and 2.</i>
Fri Oct 5	9-12	A2	Aggregate supply and inflation expectations. Inflation and unemployment. The degree of activism in stabilisation policy. The Taylor rule. A dynamic general equilibrium model (the DAD-DAS model). Demand vs supply shocks. Output vs inflation variability. <i>Mankiw Chs. 13-14.</i>
Wen Oct 17	9-12	A2	Problems with stabilisation policy. Economic-policy paradigms during different periods. Time inconsistency of monetary policy. Independent central banks. Automatic stabilisers in fiscal policy. The Great Moderation. Lessons from the financial crisis. The controversy about the monetary policy of the Swedish Riksbank. <i>Mankiw Ch. 15, EEAG report Ch. 1, Swedish Fiscal Policy 2012 Chs. 1- 2.</i>

Mon Oct 22

13-16

G-salen

Consumption and forward-looking households. Asset prices. Ricardian equivalence. Deficit bias. Government debt dynamics. Fiscal rules. The Swedish surplus target. EU's stability pact. The European sovereign debt crisis: bail-outs or defaults. The role of the ECB. Independent fiscal councils. *Mankiw Chs. 16-17, EEAG report Ch. 4, Calmfors–Wren-Lewis (2011) and Calmfors (2012).*