

ECON 202: APPLIED INTERNATIONAL MACROECONOMICS

Professor Osler

Brandeis International Business School, Spring 2013

Main classes: Tuesdays and Thursdays, 9:30-10:50 and 11:00-12:20, Lee Hall

Optional practice with real-world applications:

Monday & Thursdays 2:00-3:30, Chancellor's Suite

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OVERVIEW and LEARNING GOALS OUTLINE

The world economy is still a mess, five years after the 2008 financial crisis. Why is recovery so long delayed? Are the central banks creating so much liquidity we're now at risk of high inflation? This course helps you develop conceptual frameworks that clarify what is going on in the economy around you. You will come to understand everything from the US "fiscal cliff" to Brazil's exchange controls to Hong Kong's new "macroprudential" regulations on banks.

This course differs from standard macro courses in three ways. *First*, we cover essential subjects that are not typically covered, like financial crises, and we cover more international issues.

Second, the course focuses on *applying* the material to real countries. Everything presented in class is accompanied by real-world examples to motivate and illustrate. You will practice applying it in problem sets, exams, and the final project. The applications teach you skills and understanding and also important international economic history.

Finally, the course teaches you important non-academic skills: how to interpret and manipulate data, Excel skills, writing skills, and team management.

OUTLINE OF LEARNING GOALS (specific goals listed on pages 10-11)

- 1. Understand long-run interactions among inflation, money, exchange rates, international competitiveness, and government finances**
- 2. Understand forces driving business cycles**
- 3. Understand how countries manage their exchange rates**
- 4. Understand international capital flows and the balance of payments:**
- 5. Understand how financial markets influence macroeconomic health**
- 6. Skills for analyzing and presenting data**
- 7. Writing skills**
- 8. Teamwork skills**

EVALUATION

Grading: Six performance dimensions will be weighed as follows:

Country Project	25%	Practice Problems	25%
Of which		Midterm exam	15%
Outline	5%	Final exam	25%
Individual draft contribution	5%	Class participation	5%
Final paper	15%	Teamwork	5%

Notes:

- B+ or better means you *understand all* the important concepts covered in class.
- A- or better means you can *apply* these concepts to understand real-world situations.

1. Country Project: You will join three other students in evaluating the current exchange-rate regime of a country (full description below). Your project grade depends on content, of course, but also on presentation values and your contributions as a team member.

2. Practice Problems: Often material seems clear during a lecture but turns out to be hard to apply. To help you bridge the gap between listening and application you will be assigned practice problems.

- You must write up your own answers: you must explain it in your own words, you must make your own charts, you must create your own tables. If not, you get a zero. You may work with others to understand the problems or to learn Excel techniques.
- Problem sets are due at the “Brandeis” beginning of class (10 minutes after the officially stated time). Late arrival to class is not an acceptable excuse.
- The weakest two problem sets are dropped in calculating your final grade.

3. One in-class midterm exam: Thursday March 7. YOU MUST BE THERE. NO EXCEPTIONS except for dire medical emergencies. Covers in-class material and readings.

** You can enhance your mid-term grade in one of two ways:

- * Create a Jeopardy game based on the second half of the semester. Up to 10 extra points.
- * Write possible exam questions using real countries. Up to extra 3 points each; max. = 9.

4. Final exam: Comprehensive, closed book. The time of the final is always negotiated with the registrar, and it could well be the last day of exams, May 10. No alternative except for documented exam conflicts. **DO NOT MAKE TRAVEL ARRANGEMENTS UNTIL THE TIME IS FINALIZED.**

5. Class participation, including attendance: Comments and constructive questions, including requests for clarification, are encouraged. Attendance will be recorded. You may miss at most 2 classes without adverse consequences. Please explain absences, in advance if possible.

6. Teamwork: You will be graded on your contributions to the country project team, based on evaluations from your teammates. Details below and in “Managing Team Performance.”

DISABILITIES: If you are a student with a documented disability on record at Brandeis and wish to have a reasonable accommodation made for you in this class, please see me immediately.

ACADEMIC INTEGRITY: You are expected to be honest in all of your academic work. Academic integrity is a very serious matter at IBS. You should be familiar with and follow the University’s policies on academic integrity (see <http://www.brandeis.edu/studentlife/sdje/ai/>). Instances of alleged dishonesty will be forwarded to the Academic Review Committee. Potential sanctions include failure in the course and suspension from the University.

“NC” = NO CLASS. “MT” = Midterm. Box indicates a due date for country project

	Tues	Thur	Tues	Thur	Tues	Thur	Tues	Thur	Tues	Thur	
Jan.					15	17	<input type="checkbox"/> (18)	22	24	<input type="checkbox"/> 29	31
Feb.	5	7	<input type="checkbox"/> 12	14	19-NC	21-NC	26	28			
March	5	7-MT	<input type="checkbox"/> (8)	12	14	19	21	26-NC	28-NC		
April	2-NC	4	9	<input type="checkbox"/> 11	16	18	23	25	30		
May	<input type="checkbox"/> (2)										

DUE DATES

- T. January 15: Submit Resume
- Th. January 17: Practice Problems 1 Due
- Friday, Jan 18: Submit country choice**
- T. January 22: Submit performance plan**
- Th. January 24: Practice Problems 2 Due
- T. January 29: Practice Problems 3 Due
- Also: Team Planning Grid due**
- Be sure to coordinate with TA**
- Th. January 31: Practice Problems 4 Due
- T. February 5: Practice Problems 5 Due
- Th. February 7: Practice Problems 6 Due
- T. February 12: Country Charts and Exchange-Rate Regime Outline**
- Th. February 14: Practice Problems 7 Due
- T. February 26: Practice Problems 8 Due
- Th. February 28: Practice Problems 9 Due
- T. March 5: Practice Problems 10 Due
- Th. March 7: MID-TERM EXAM**

- Friday March 8, 2-3:30: Teamwork Process Review, Lemberg 54-55.**
- T. March 12: No assignment due**
- Th. March 14: Practice Problems 11 Due
- T. March 19: Practice Problems 12 Due
- Th. March 21: Practice Problems 13 Due
- Th. April 4: Practice Problems 14 Due
- T. April 9: No assignment due**
- Th. April 11: Submit articulate draft of your contribution to country project**
- T. April 16: Practice Problems 15 Due
- Th. April 18: Practice Problems 16 Due
- T. April 23: Practice Problems 17 Due
- Th. April 25: Practice Problems 18 Due
- T. April 30: No assignment due**
- T. May 2: Country Project due**
- Also: Online evaluations of teammates**
- By Friday. May 10: Team process review meeting and submit “Next time, ...” form.**

COUNTRY PROJECT

With three other students you will analyze the current and past exchange-rate regimes of a country of your choice. Is their current regime the right one for them?

Economics deliverables: Practice problems, short essay, final paper.

Team-process deliverables: Performance plan, planning grid, teamwork evaluations, “Next time we’ll”.

Project Timeline

- I. Second class: At the end of class you will meet your group members. First, say hello.** Then schedule 1 long or 2 shorter meetings over the next few days and consult the country project description to get a broad sense of what is expected. Then choose a country or countries and inform Professor Osler. (It is fine if another group studies the same country.)

The following countries will NOT be available this year (2013):

Argentina	Ethiopia	Saudi Arabia	U. K.
Brazil	Indonesia	Singapore	U.S.
China	Japan	S. Africa	Ukraine
Denmark	Mexico	Spain	
Egypt	New Zealand	Thailand	

At the second meeting your team develops a performance plan. At the third meeting your team creates a detailed planning grid. See “Managing Team Performance.”

- II. By Friday, January 18** your team submits its country choice
By **Tuesday, January 22** your team submits a performance plan.
- III. By Tuesday, January 29** your team submits a detailed planning grid.
- IV. By Tuesday February 7** your team submits an outline of your country’s exchange-rate regimes and a set of necessary charts. See “Guidelines for Outline of Country Project.”
- V. By Thursday March 1** you (individually) submit your contribution to the country project to me and to you team-mates. It will be graded on a 3-point scale: Superior, adequate, inadequate.
- VI. By May 2, the “study day,”** your team submits a 20-30 page (double-spaced) paper. See “Country Project” below and “Guidelines for Country Project.” By this day you should also evaluate your teammates (individually) using the on-line questionnaire.
- V. By May 10 (the last day of exams)** your team will meet with a TA to discuss how you would do it better next time and submits “Next time, we’ll ...” form.

NOTE: The entire team is responsible for the final paper. Any copying of text means the whole team gets 0 (zero) points. (Copying is extremely easy to identify online.) Since you are all responsible for the whole project, poor writing in one section affects EVERYONE’S grade. To protect your grade, you will need to involve yourself in editing.

TEAMWORK

When you leave IBS, you will work in teams. Eventually, you will manage other people. These are hard things to do! This course helps you develop essential teamwork and management skills. It will also help you learn the norms of professional behavior – violation of which can cost your career.

Your grade depends in part on your performance as a teammate. Your team will participate in a structured program of meetings and team activities, step-by-step instructions for which are provided in *Managing Team Performance*. (You should have a hard copy of this; it is also available on Latte under “Team Work.”) *Managing Team Performance* also provides succinct advice for each critical teamwork skill: for example, it lists six keys to running an effective meeting and presents a simple script for providing constructive feedback.

Your final teamwork grade will be determined according to criteria described in *Managing Team Performance* (page 8) and based on feedback from your teammates.

Equity is often a concern in teamwork. You must make substantial direct contributions to the final project; you must also contribute substantially to team process activities (such as developing the performance plan and providing feedback to teammates).

If you do not contribute equitably, the rest of your team can dismiss you, in which case you will do all further team assignments on your own.

If your team-mates agree that you have not contributed equitably, your grade for the course cannot exceed “B-.”

READINGS

The course notes are your primary readings: There is no formal textbook

Notes are available on Latte. Last year’s notes are available from the beginning of the semester. BUT: they are typically revised both before and after class.

Readings are listed below. Anything listed as “reference” is optional.

“**FD**” = *Finance and Development*, From the IMF and World Bank.

“**KO**” = *International Economics: Theory and Policy*, by Paul Krugman and Maurice Obstfeld (HarperCollins Publishers, NY). Any edition. This is the required text for “International Trade” so it involves no additional expense.

Read strategically. Part of your education here concerns time management.

- To repeat: **The course notes are your primary readings**
- Ask yourself: How is this article related to class material? Why did she assign it?
- Summarize key lessons before moving on. Most lessons are just a few sentences.
- Big-picture content of articles may be tested on exams, even if the article is not discussed in class.

COURSE OUTLINE AND READING LIST

(Subject to revision during the semester)

OVERVIEW: WHY MACROECONOMICS MATTERS

The Great Recession: It's not just numbers

Luo and Thee-Brennan, "Poll Reveals Trauma of Joblessness in US," NYT 12-05-09.
www.nytimes.com/2009/12/15/us/15poll.html?_r=1&scp=4&sq=unemployment&st=cse

Sound Macro Policy: Worth Going to Jail For

Central Bank of the Republic of Turkey, "Disinflation Program 2000 short," Latte
Indonesia - Sabirin supported by Indonesia Central Bank 02, Latte
Brussels to rap Hungary over central bank. FT, Jan 15, 2012 (Barker, Eddy, Wilson)
<http://www.ft.com/cms/s/0/a12b1080-3f99-11e1-ad6a-00144feab49a.html#axzz1ji9vgGxk>

Investment Smarts: Bubbles Are Not Going Away

Farooq, "Boom and Gloom," Bloomberg, October 30, 2009
www.newsweek.com/id/220402

It is the big picture that makes the big difference: Top Down Investing Strategies
http://www.investors-routemap.co.uk/Guidebook_investing_strategies.html

MACROECONOMIES IN THE LONG RUN

Prices and Money in the Long Run

Reference: Cecchetti, Money, Banking, and Financial Markets, Chapter 20:
Money Growth, Money Demand, and Modern Monetary Policy (Handout)
Manias, Panics, and Crashes (MPC), Chapter 1: Financial Crises, A Hardy Perennial
Rockoff: "Price Controls," on Latte.
Hyperinflation Episodes in History (Latte)
Dugger, "In Zimbabwe, Survival Lies in Scavenging," December 22, 2008
<http://www.nytimes.com/2008/12/22/world/africa/22iht-22zimbabwe.18857774.html>
Dugger, "Life in Zimbabwe: Waiting for Useless Money," NYT October 2, 2008
<http://www.nytimes.com/2008/10/02/world/africa/02zimbabwe.html?pagewanted=all>
Wines, "How Bad is Inflation in Zimbabwe?" NYTimes, May 2, 2006.
<http://www.nytimes.com/2006/05/02/world/africa/02zimbabwe.html>

Prices and Exchange Rates in the Long run

Reference: About.com: A Beginner's Guide to Purchasing Power Parity, Parts 1 and 2.
<http://economics.about.com/cs/money/a/purchasingpower.htm>
Reference: Taylor and Taylor, The Purchasing Power Parity Debate, *JEP*, pages 135-140.
RBS: Internal Devaluation, Latvia, May 2009 (on Latte)
RBS: Latvia Review, June 2011 (on Latte)

The Money Supply Process

China Reserve-Ratio Cut May Signal Slowdown (Bloomberg, Nov 30, 2011):
<http://www.bloomberg.com/news/2011-11-30/china-cuts-reserve-requirement-for-banks-as-europe-crisis-threatens-growth.html>
<http://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/people.pdf>
Reference: http://en.wikipedia.org/wiki/Money_multiplier
Reference: The Fed's interpretation: "Fedpoints: Reserve Requirements" (Latte)

Optional: What ARE current US reserve requirements? If you're curious:
http://en.wikipedia.org/wiki/Reserve_requirements

High Inflation: It's the Government Deficit!

Czech National Bank: "Objective of Monetary Policy":

http://www.cnb.cz/en/monetary_policy/objective.html

Reread: Central Bank of Turkey, "Disinflation Program 2000 short" Latte

Haman and Prati, "Beating Inflation: The Importance of Luck, Timing, and Political

Institutions," FD June 2003: <http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/hamann.pdf>

For curiosity: Hyperinflation Banknotes, <http://tomchao.com/hb1.html>

Fiscal Sustainability and the European Debt Crisis

Brief guide to Greek Financial crisis, Kalantzakis. Reinventing Greece media project

<https://www.hellenext.org/reinventing-greece/brief-guide-to-the-greek-financial-crisis/>

What really went wrong in Greece? (unsympathetic) Liaras, Mylonas Nov 20, 2011. CNN

<http://globalpublicsquare.blogs.cnn.com/2011/11/20/what-really-went-wrong-in-greece/>

The price of austerity for indebted Greece, (sympathetic) Mourmouras, Jan 2012

<http://www.ft.com/intl/cms/s/0/02af6316-4034-11e1-82f6-00144feab49a.html#axzz1jinARbVd>

Goodhart on the Future of Europe; Economists Voice, Fall2011

<http://www.voxeu.org/index.php?q=node/7420>

Muelbauer on Solution to European Debt Crisis, Economists Voice, Fall2011

<http://voxeu.org/index.php?q=node/7332>

THE SHORT RUN

Business Cycles, Monetary and Fiscal Policies

Money demand and the nature of money: <http://www.thisamericanlife.org/?bypass=true>

Long-run growth: Thomas, "What's Broken in Greece? Ask an Entrepreneur," NYT Jan 31, 2011

<http://www.nytimes.com/2011/01/30/business/30greek.html?src=me&ref=business>

"The Money Supply," Federal Reserve Bank of New York *FedPoint*.

<http://www.newyorkfed.org/aboutthefed/fedpoint/fed49.html>

Why the Fed Focuses on Core Inflation. Bloomberg article by Joshua Zumbrun,

March 30, 2011. [http://www.bloomberg.com/news/2011-03-30/bernanke-backed-by-history-](http://www.bloomberg.com/news/2011-03-30/bernanke-backed-by-history-betting-volatility-variable-won-t-hurt-economy.html)

[betting-volatility-variable-won-t-hurt-economy.html](http://www.bloomberg.com/news/2011-03-30/bernanke-backed-by-history-betting-volatility-variable-won-t-hurt-economy.html)

Trehan & Zorrilla, "The Financial Crisis and Inflation Expectations," Federal Reserve

Bank of San Francisco Economic Letter, Sept. 24, 2012.

<http://www.frbsf.org/publications/economics/letter/2012/el2012-29.html>

Krugman/Obstfeld Ch. 14, pages 338-347.

Social, psychological, and health costs of unemployment:

<http://www.theatlantic.com/magazine/archive/2010/03/how-a-new-jobless-era-will-transform-america/7919/>

Bartlett in Forbes, Feb 6, 2009, on housing equity and consumption

http://www.forbes.com/2009/02/05/spending-housing-equity-opinions-columnists_0206_bruce_bartlett.html?partner=daily_newsletter

Multipliers in action: Vlasic & Wayne, "Auto Suppliers Share the Anxiety," NYT Dec.

12, 2008. [http://www.nytimes.com/2008/12/12/business/12rescue.html?](http://www.nytimes.com/2008/12/12/business/12rescue.html?_r=1&adxnml=1&adxnml=1267459227-XV0jCAc/kaKrTUo957sr0g)

[_r=1&adxnml=1&adxnml=1267459227-XV0jCAc/kaKrTUo957sr0g](http://www.nytimes.com/2008/12/12/business/12rescue.html?_r=1&adxnml=1&adxnml=1267459227-XV0jCAc/kaKrTUo957sr0g)

Multipliers Sahm, Shapiro, Slemrod: Household Response to the 2008 Tax Rebates:

Survey Evidence and Aggregate Implications." On Latte. **Introduction only!**

Bruce Bartlett, "Supply Side Economics to Go," NYT 4/6/07. On Latte.

Pollin, Robert, "Austerity is Not a Solution: Why the Deficit Hawks are Wrong," *Challenge (Magazine)*, November/December 2010.

http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_201-250/WP235.pdf

Cheng, Vrijer, Yakadina, "The Long Run is Near." *FD* Sept. 2010, pp. 36-37. Latte.
Optional: Brave, Scott, "Chicago Fed National Activity Index turns ten." Latte.

Deflation (falling prices)

Kumar: "Deflation: A New Threat?" *Finance and Development*, June 2003.

<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/kumar.pdf>

Day-to-day Exchange-Rate Dynamics

Reference: Krugman/Obstfeld Ch. 13 (end p. 324 at "How Changes in the Current ...).

EXCHANGE-RATE REGIMES

Fixed Exchange Rates: Intervention

Neely, "The Great Foreign Exchange Intervention of 2011," Federal Reserve Bank of St.

Louis, <http://research.stlouisfed.org/publications/es/11/ES1123.pdf>

Ghosh, "Turning Currencies Around," *FD* June 2008

<http://www.imf.org/external/pubs/ft/fandd/2008/06/pdf/ghosh.pdf>

Feldstein, Martin, "Avoiding Currency Crises,"

<http://www.nber.org/feldstein/kcfed99.2.pdf>

Reference: Krugman/Obstfeld Chapter 17

Fixed vs. Floating Exchange Rates

Stone, Anderson, Veyrune, "Exchange-Rate Regimes: Fix or Float?"

<http://www.imf.org/external/pubs/ft/fandd/2008/03/pdf/basics.pdf>

FD, "Coping with Capital Inflows," September 2010, p. 67. On Latte.

Taylor, Alan, "Global Finance: Past and Present. Policymakers in Two Eras ...

Faced the Same Trilemma of Difficult Policy Trade-Offs," *FD*, March 2004:

<http://www.imf.org/external/pubs/ft/fandd/2004/03/pdf/taylor.pdf>

Stanley Black, "Fixing the Flaws in the Eurozone" (Nov 23, 2010)

<http://www.voxeu.org/index.php?q=node/5838>

<http://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/masson.pdf>

Dwor-Frecaut, "Who wins the currency wars?" *RBS* 29 September, 2010. On Latte.

Reference: Krugman/Obstfeld Chapter 19, 20

Specific Fixed Exchange-Rate Regimes

Reference: Currency Boards: "Introduction to Currency Boards"

<http://users.erols.com/kurrency/intro.htm>

Reference: Reem Heikal: "What is a currency board?"

<http://www.investopedia.com/articles/03/051503.asp>

Reference: Krugman/Obstfeld Chapters 18, 22

CURRENT ACCOUNT IMBALANCES

IMF, "Fiscal Rules," pages 1-14. On Latte.

Dorsey, "A Capital Story," *FD* June 2008

<http://www.imf.org/external/pubs/ft/fandd/2008/06/pdf/dorsey.pdf>

Dim Sums: Economist on China's investment (Latte)
 Dollar dealt another blow from Qatar and Vietnam: Business Intelligence Middle East
<http://www.bi-me.com/main.php?id=13794&t=1&c=33&cg=4>
Reference: Krugman/Obstfeld Chapter 12
Reference: For more on the balance of payments, see: Reem Heikal, "What is the
 balance of payments?" <http://www.investopedia.com/articles/03/060403.asp>

FINANCIAL MARKETS AND ECONOMIC PERFORMANCE

Old-style crisis: Iceland, Chapter 2: "Summary of the Report's Main Conclusions" regarding the causes of the collapse of the Icelandic banks." (18 pages)
 Reinhart, Kirkegaard, Sbrancia, "Financial Repression Redux," FD, June 2011 48 (1).
 MPC, Chapters 1, 2, Chapter 3 onward from page 38 (beginning "Speculation often develops in two stages").
 Reinhardt, "An Economists' Mea Culpa," NYT January 9, 2009.
<http://economix.blogs.nytimes.com/2009/01/09/an-economists-mea-culpa/>
 New-style crisis: UK. Gorton: "Question and Answers about the Financial Crisis," Latte.
 Claessens, Kose, Terrones, "When Crises Collide," FD
<http://www.imf.org/external/pubs/ft/fandd/2008/12/pdf/claessens.pdf>
 Ingves and Lind, "Stockholm Solutions," FD 12/08 pages 21-21.
<http://www.imf.org/external/pubs/ft/fandd/2008/12/pdf/ingves.pdf>
 Andrews, "Greenspan Concedes Error," NYT October 24, 2008.
<http://www.nytimes.com/2008/10/24/business/economy/24panel.html?pagewanted=print>
 Husock, "Housing Goals We Can't Afford," NYT, December 11, 2008.
<http://www.nytimes.com/2008/12/11/opinion/11husock.html>
 Vinals, Jose, "A Marriage Made in Heaven or in Hell: Monetary and Financial Stability,"
 Latte. 2 pages.
 Read one of the following 2 articles:
 Prasad, Eswar S., "Next Steps for China: Why financial sector reform is a crucial element of a long-term growth strategy," FD, Sept. 2005.
<http://www.imf.org/external/pubs/ft/fandd/2005/09/prasad.htm>
 Nicolo et al., "Bridging the 'Great Divide': Poorly developed financial systems in the CIS-7 countries may jeopardize their sustained growth," FD, December 2003:
<http://www.imf.org/external/pubs/ft/fandd/2003/12/pdf/nicolo.pdf>

MONETARY POLICY BEST PRACTICE: TODAY'S UNDERSTANDING

Business-Cycle Management: Croce and Kahn: Monetary Regimes and Inflation Targeting," FD, September 2000: <http://www.imf.org/external/pubs/ft/fandd/2000/09/croce.htm>
 "The Move to Inflation Targeting," Finance and Development, June 2003:
<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/basics.pdf>
 "Rethinking Central Banking," Committee on International Economic Policy and Reform, Brookings Institution, Sept. 201
http://www.brookings.edu/~media/Files/rc/reports/2011/09_ciepr_central_banking/Rethinking%20Central%20Banking.pdf

LEARNING GOALS

1. Understand long-run interactions among inflation, money, exchange rates, international competitiveness, and government finances

* Inflation and hyperinflation: Understand how the money supply is related to inflation and how the relation is influenced by velocity.

* Competitiveness and PPP: Understand how and why competitiveness is mostly stable in the long run. Understand what this implies for the relation between inflation differentials across countries and long-run exchange-rate changes and the role of “goods-market arbitrage.”

* Money supply process: Understand how central banks influence money growth through their control over the money base. Understand how banks and the public influence money growth.

* Understand why high, sustained inflation has always reflected the monetization of high government deficits, and why this process, when taken to an extreme, ends with governments that cannot provide for their people (inflation-tax Laffer curve).

2. Understand forces driving business cycles

* How exchange rates and interest rates are related through uncovered interest parity.

* Components of aggregate demand and how they tend to behave over the business cycle

* How central banks influence aggregate demand through control of the real short-term interest rate.

* Expectations-augmented Phillips curve: How short-run inflation is influenced by expected inflation and the state of the business cycle.

* Inflation targeting and, more generally, the monetary policy reaction function: What drives central banks in setting the short-run real interest rate?

* Sustainability of government deficits and debt; why sustainability becomes harder to achieve the longer a country waits to achieve it.

* Zero lower bound; why it is essential to avoid deflation; what central banks do to stimulate the economy once short-term nominal interest rates hit zero.

3. Understand how countries manage their exchange rates

* How central banks control exchange rates and the fact that a fixed exchange rate leaves the central bank largely unable to pursue any other monetary policy goals.

* Difference between sterilized and unsterilized exchange rate intervention; different ways to sterilize; the motivation for sterilization; and the extent to which sterilized intervention actually works. Which countries tend to intervene and to sterilize today.

* Differences across the following exchange rate regimes and their permutations: Common currency, dollarization, currency board, peg, band, crawling peg, crawling band, managed exchange rate, dirty float, free float.

* New and old attitudes towards capital controls; why they need to be temporary.

4. Understand international capital flows and the balance of payments

* 4 major components of the balance of payments: Current account, financial account, capital account, net errors & omissions.

* Relationship between national savings, national investment and the current account.

* Subcomponents of national savings: Personal, corporate, government. What drives each.

Why personal savings as measured in formal economic accounts tends to fall when asset prices rise rapidly.

* A country's net international investment position (NIIP) and the relation of NIIP to past and future current account balances, including net income from capital.

5. Understand how financial markets influence macroeconomic health

* How financial intermediaries and financial markets are needed to promote long-run capital formation and wealth due to imperfect information.

* How inappropriate regulation can undermine the proper functioning of the financial system: Financial repression; how deregulation or poor regulation has historically often been accompanied by financial excess that leads to crisis, e.g., 2001-2008.

* Imperative for financial regulation in countries with national deposit insurance; current best practices in financial regulation.

* Open issues in financial regulation: CEO pay? Capital-adequacy standards to vary over the business cycle? Consumer financial protection? Proprietary trading? Too big to fail? Loan-to-value ratios as policy tool?

6. Skills for analyzing and presenting data

* Ways to calculate growth rates and when each one is appropriate

* Different ways to graph macroeconomic data and when each one is appropriate

* Familiarity with different sorts of data and when each type is appropriate (e.g., seasonally adjusted, real vs. nominal)

7. Writing skills

* Editing text for clarity, conciseness, organization, flow, and tone.

* Creating long research reports

8. Teamwork skills

* Performance plan, planning grid, process review, performance evaluation