

MACROECONOMICS B - HONORS

Winter 2013

Mondays 2:00pm-2:50pm, SH 244 (Heller Seminar Room)

Professor Giacomo Rondina

Economics Building, Room 227

Office Hours: Mondays 3:00pm-4:00pm (or by appointment)

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Syllabus, Version 1.0

TOPIC OF THE CLASS: GLOBAL IMBALANCES

In the months of September and October 2008 financial markets globally experienced a series of unprecedented events that led to the fall of both major financial institutions and small local banks. The stress in high-end financial markets spread quickly to more traditional markets and was followed by a period of sharp decline in economic activity that has become known as “The Great Recession”. Worldwide economies are still dealing with the consequences of such major disruption of economic activity and many economic indicators, such as unemployment, are far from being back to “normal”. In the course of the following ten weeks we will try to isolate some key factors that contributed to the build-up of the global imbalances that precipitated into the crises of the Fall of 2008. We will see that such imbalances have not disappeared, and in some cases have actually worsened, suggesting that the episode of the Fall 2008 might not be an isolated one. We will finally study what are, broadly speaking, the remedies in terms of economic policies to reduce the imbalances that leave economies prone to unpredictable crises. In the presentation of the material I will sometime follow parts of the book “Fault Lines: How Hidden Fractures Still Threaten the World Economy”, by Raghuram Rajan of the University of Chicago, published by Princeton University Press in 2010. A copy of the book has been placed on reserve at the Geisel Library.

ORGANIZATION OF OUR MEETINGS

We will meet on Mondays from 2:00pm to 2:50pm in the Heller Seminar Room (Sequoia Hall 244). Each meeting will focus on one self-contained topic (see the list below). I will assign reading material before each class when necessary. I will expose the key elements of the topic of the week and ask

for your comments/questions as the material is presented. I expect you to actively participate to the discussion and your final grade for the class will depend substantially on your effort in the class participation. We will not meet on Monday January 21 and Monday February 18 as they are both University Holidays. On those two weeks I will assign a reading and you will be asked to send a one page summary of the reading to me by email. We will discuss the details of all the above in class.

EVALUATION

Your grade on the class will depend on your class participation (50%) and on a final paper (50%). The topic of your paper will have to be chosen among a short list of topics that I will provide to you by the fifth week of the class. The paper should be between 8 to 10 pages. We will talk more about the final paper in class. The paper is due on Monday March 18 by 7pm (the Monday of the Finals Week).

TOPICS SCHEDULE

Week 1: Analytical Preliminaries: National Accounts and the Two-Period Model

Week 2: Credit Booms

Week 3: *No Meeting*. Reading: “The Paradox of Capital”, by Prasad, Rajan and Subramanian

Week 4: Exporting to Grow

Week 5: Saving too Little, Investing too Much

Week 6: Looking for Risky Returns

Week 7: *No Meeting*. Reading: “Deciphering the Liquidity and Credit Crunch of 2007-2008”, by Markus Brunnermeier

Week 8: The Financial Crisis of 2007-2010

Week 9: Policies for the Future (I)

Week 10: Policies for the Future (II)

The material for the class, such as lecture slides and readings, will be posted in the class website at Ted.ucsd.edu.