



## **ECO 432: Macroeconomics**

**Lecturer: Edouard Challe**

### **Course objective**

The objective of the course is to acquaint students with

- the main contemporary macroeconomic facts and problems
- the most relevant theories to explain those facts and problems

The course will exploit the tools of macroeconomic analysis so as to answer many concrete questions. What is the reason for the striking poverty of some countries relative the developed world? Does it result from an inherent inability to innovate, from failing educational systems, or from the fact that savings are discouraged by low returns on capital? How do recessions and crises propagate? Does unemployment result from a shortage of aggregate demand, excessive labor costs, or both? What instruments does the central bank have at its disposal to boost economic activity when private demand is depressed? Can monetary policy lose its effectiveness, as it seems to be the case nowadays in Europe, Japan and many other economies, which look irremediably stuck into a “liquidity trap”? Are there in this situation some “unconventional” policies capable of restoring full employment and prosperity? Why do public authorities sometimes find it so difficult to honor their past commitments (e.g., as regards the control of public debt or inflation), and is there an ideal institutional framework that would make macroeconomic policy both reliable and flexible? How do private agents’ expectations affect the propagation of macroeconomic shocks and the effectiveness of macroeconomic policies?

The purpose of the course is to provide students with the necessary tools to answer not only those particular questions (which will be explicitly analyzed during the course, as many other questions), but more generally any macroeconomic question for which the concepts and mechanisms acquired during the course can be applied. In other words, the course is aimed not only to the minority of students who will specialize in the study of economics in later years (and for whom the course will provide a necessary introductory background in macroeconomics), but also to the majority of students who will later choose a different field of specialization but may be confronted, at some point in their professional life, to concrete problems requiring the rigor and breadth of macroeconomic reasoning.

## **Plan of the course**

- Part I. development and long run growth
  - the proximate causes of economic development
  - innovation et and technical progress
- Part II : fluctuations and macroeconomic policies
  - macroeconomic shocks and their propagation
  - unemployment
  - « conventionnal » macroeconomic policies
- Part III : the crisis of 2008, the liquidity trap, and unconventional policies
  - the crisis of 2008 and the liquidity trap
  - unconventional macroeconomic policies
  - towards a « secular stagnation » of the world economy ?

## **Course material**

- lecture notes
- slides
- small-class problems (and solutions)
- past years' exams (with solutions)

## **Grading**

- final exam
- small-class evaluation based on course participation and homework

**Course website:** [sites.google.com/site/edouardchalle/teaching](https://sites.google.com/site/edouardchalle/teaching)