Short Paper On Macroeconomics

Bringing together the proceedings of the 1979 and 1980 annual conferences of the Association of University Teachers of Economics the papers in this volume discuss: the effect of social security on private saving; an analysis of aggregate consumer behaviour; the philosophy and objectives of econometrics and other topics in macroeconomic and econometric analysis.

A look at all the key topics in intermediate-level macroeconomic theory with carefully chosen linear versions of the standard models of both the closed and the open economy. It requires no mathematical proficiency beyond high school level algebra, and has been thoroughly tested in the classroom.

Master key principles of macroeconomics with the help of today's popular economics series that's trusted world-wide. Mankiw's BRIEF PRINCIPLES OF MACROECONOMICS, 9E uses a concise, inviting presentation that emphasizes only the material that helps you better understand the world and economy in which you live. You learn to become a more astute participant in today's economy with a strong understanding of both the potential and limits of economic policy. This version has fewer introductory chapters than the regular Macro version for a more concise treatment. The latest relevant examples bring crucial macroeconomic principles to life. Acclaimed author Gregory Mankiw explains, I tried to put myself in the position of someone seeing economics for the first time. My goal is to emphasize the material that learners should and do find interesting about the study of the economy. Real scenarios, useful economic facts, and clear explanations demonstrate how today's most important macroeconomic concepts play a role in the decisions you make every day. Important Notice: Media content referenced within the product description or the product text may not be available in the ebook version.

These 28 essays, covering Tobin's work in macroeconomics from the early 1940s to 1970 are grouped into three parts - macroeconomic theory, economic growth, and money and finance.

Macroeconomic Analysis for Small Open Economies

Essays in Macroeconomics, Corporate Finance, and Social Learning

International Macroeconomics in the Wake of the Global Financial Crisis

The Macroeconomics of Developing Countries

Macroeconomics, 20e

Three Essays on Short-term Macroeconomics

Abstract: This dissertation examines theoretical and empirical topics in macroeconomic dynamics. A central issue in macroeconomic dynamics is understanding the sources of business cycle fluctuations. The idea that expectations about future economic fundamentals can drive business cycles dates back to the early twentieth century. However, the standard real business cycle (RBC) model fails to generate positive comovement in output, consumption, labor-hours and investment in response to news shocks. My dissertation proposes a solution to this puzzling feature of the RBC model by developing a theoretical model that can generate positive aggregate and sectoral comovement in response to news shocks. Another key issue in macroeconomic dynamics is gauging the performance of theoretical models by comparing them to empirical models. Some of the most widely used empirical models in macroeconomics are level vector autoregressive (VAR) models. However, estimated level VAR models may contain explosive roots, which is at odds with the widespread consensus among macroeconomists that roots are at most unity. My dissertation investigates the frequency of explosive roots in estimated level VAR models using Monte Carlo simulations. Additionally, it proposes a way to mitigate explosive roots. Finally, as macroeconomic datasets are relatively short, empirical models such as autoregressive models (i.e. AR or VAR models) may have substantial small-sample bias. My dissertation develops a procedure that numerically corrects the bias in the roots of AR models. This dissertation consists of three essays. The first essay develops a model based on learning-by-doing (LBD) that can generate positive comovement in output, consumption, labor-hours and investment in response to news shocks. I show that the one-sector RBC model augmented by LBD can generate aggregate comovement in response to news shock about technology. Furthermore, I show that in the two-sector RBC model, LBD along with an intratemporal adjustment cost can generate sectoral comovement in response to news about three types of shocks: i) neutral technology shocks, ii) consumption technology shocks, and iii) investment technology shocks. I show that these results hold for contemporaneous technology shocks and for different specifications of LBD. The second essay investigates the frequency of explosive roots in estimated level VAR models in the presence of stationary and nonstationary variables. Monte Carlo simulations based on datasets from the macroeconomic literature reveal that the frequency of explosive roots exceeds 40% in the presence of unit roots. Even when all the variables are stationary, the frequency of explosive roots is substantial. Furthermore, explosion increases significantly, to as much as 100% when the estimated level VAR coefficients are corrected for small-sample bias. These results suggest that researchers estimating level VAR models on macroeconomic datasets encounter explosive roots, a phenomenon that is contrary to common macroeconomic belief, with a very high frequency. Monte Carlo simulations reveal that imposing unit roots in the estimation can substantially reduce the frequency of explosion. Hence one way to mitigate explosive roots is to estimate vector error correction models. The third essay proposes a numerical procedure to correct the small-sample bias in autoregressive roots of univariate AR(p) models. I examine the median-bias properties and variability of the bias-adjusted parameters relative to the least-squares estimates. I show that the bias correction procedure substantially reduces the median-bias in impulse response functions. Furthermore, correcting the bias in roots significantly improves the median-bias in half-life, quarter-life and up-life estimates. The procedure pays a negligible-to-small price in terms of increased standard deviation for its improved median-bias properties.

Revised edition of the authors' Macroeconomics, 2013.

This thesis, entitled Essays on Financial Economics and Macroeconomics, studies the interactions between real macroeconomics and financial variables. There is an emerging literature aims to investigate how can we reduce the impacts from the financial crisis by considering both macroeconomics and finance conditions together. For example, decision-makers should consider the financial market conditions first before policies are made. Meanwhile, the forecasting of short term financial variables' returns should take long term macroeconomic conditions into consideration. This has motivated us to explore further in the relationship between the macroeconomic factors and financial market conditions. In the first chapter, we examine the short-run and long-run dynamics of the correlation between exchange rate and commodity returns, and assess the extent to which the long-run correlation is determined by economic fundamentals. Our empirical analysis is based on the dynamic conditional correlation model with mixed data sampling (DCC-MIDAS) of Colacito, Engle and Ghysels (2011). This model provides a framework that captures the high-frequency relation between exchange rate and commodity returns as well as the low-frequency relation of volatility and correlation to economic fundamentals. Using both economic and statistical criteria, we find that the DCC-MIDAS\ model augmented with economic fundamentals performs better than competing models in sample and out of sample. In the second chapter, we investigate the direction of Granger causality between business and financial cycles. Our analysis is based on a vector autoregression model applied on mixed frequency data. This allows us to condition on data from higher frequency variables (such as monthly industrial production) and lower frequency variables (such as quarterly aggregate credit) in a way that avoids the effects on data aggregation. Our empirical investigation focuses on five industrialized countries: USA, Canada, UK, Germany and Japan. Firstly, we examine whether the monthly industrial production index causes quarterly aggregate credit or vice versa. Then, we determine the timing of when causality is statistically significant. We find that there is strong bidirectional causality between business and financial cycles. The timing of causality varies across countries, but for all countries, bidirectional causality is significant during the financial crisis. The third and final chapter, which is an extension of the second chapter, investigates the role of the US as a global leader. Specifically, by paring US with other country (i.e, Canada, UK, Germany and Japan), we examine whether the US industrial production or credit causes the industrial production or credit of the other countries. In addition, we investigate whether causality is affected by the nominal interest rate. Our main finding is that the US business cycle strongly causes the business cycles of Canada, the UK and Germany. Finally, there is strong evidence that causality tends to be significant when the US interest rate is higher.

"The book focuses on the short- and long-term macroeconomic challenges faced by developing countries characterized by missing, incomplete and dualistic markets and weak institutions. Such problems affect long-term growth, short-term macroeconomic equilibrium, employment and inequality far more than in the advanced economies. A central message of the book is that ignoring these features and applying to developing countries models inspired by the reality of advanced economies may lead to wrong conclusions and policies. These challenges are discussed for a number of architypes of developing economies dependent on land and natural resources, affected by supply rigidities in agriculture, and featuring dualistic markets, a dominant informal sector, fast population growth, and chronic dependence on the export of commodities and a volatile external finance. Finally, the book discusses the impact on growth, inequality and poverty of the stabilization and structural adjustment reforms that were increasingly implemented during the last 30 years. These issues have acquired center stage after the launch of the Millennium Development Goals and Sustainable Development Goals initiatives that have not spelled out a clear macroeconomic approach. There is a risk therefore that wrong policies and sudden shocks may derail the progress towards the SDGs achieved by means of social policies"--

Macroeconomic Theory

NBER Macroeconomics Annual 2016

Business Fluctuations, Large Devaluations and Inflation Dynamics

Essays in Macroeconomics on Short-term Dynamics of Inflation and Financial Markets

Money and Macroeconomics

Essays in Open Economy Macroeconomics

This textbook acquaints the students with the latest trends and tendencies in macroeconomics analysis and policy. It keeps in view the macroeconomic

The International Monetary Fund (IMF) presents the full text of the June 2000 working paper entitled "International Spillovers of Macroeconomic Shocks: A Quantitative Exploration," prepared by Douglas Laxton and Eswar S. Prasad. The text is available in PDF format. This paper analyzes the possible effects on the industrial economies of adverse shocks to the current U.S. economic expansion. Other existent economic conditions, such as levels of nominal interest rates, could magnify these spillover effects.

This paper provides new evidence of the macroeconomic effects of public investment in advanced economies. Using public investment forecast errors to identify the causal effect of government investment in a sample of 17 OECD economies since 1985 and model simulations, the paper finds that increased public investment raises output, both in the short term and in the long term, crowds in private investment, and reduces unemployment. Several factors shape the macroeconomic effects of public investment. When there is economic slack and monetary accommodation, demand effects are stronger, and the public-debt-to-GDP ratio may actually decline. Public investment is also more effective in boosting output in countries with higher public investment efficiency and when it is financed by issuing debt.

The thirty-first edition of the NBER Macroeconomics Annual features theoretical and empirical research on central issues in contemporary macroeconomics. The first two papers are rigorous and data-driven analyses of the European financial crisis. The third paper introduces a new set of facts about economic growth and financial ratios as well as a new macrofinancial database for the study of historical financial booms and busts. The fourth paper studies the historical effects of Federal Reserve efforts to provide guidance about the future path of the funds rate. The fifth paper explores the distinctions between models of price setting and associated nominal frictions using data on price setting behavior. The sixth paper considers the possibility that the economy displays nonlinear dynamics that lead to cycles rather than long-term convergence to a steady state. The volume also includes a short paper on the decline in the rate of global economic growth.

Brief Edition

How 'The Big Short' Flipped a Traditional Principles of Macroeconomics Course

Essays in Economics

Macroeconomics

Essays on Microfoundations, Macroeconomic Applications and Economic History in Honor of Axel Leijonhufvud

A Quantitative Exploration

This dissertation in macroeconomics comprises three chapters. In the first chapter, ``The Macro Impact of Short-Termism, '' I study a pervasive tradeoff between the short-term and long-term performance of firms. In the United States, long-term investment, like R & D, must be expensed from short-term earnings figures. Therefore benchmarks for short-term performance, such as analyst earnings forecasts, may cause managers to underinvest in the long term. The second chapter, ``Alternative Methods for Solving Heterogeneous Firm Models, '' compares four algorithms for the solution of a canonical neoclassical heterogeneous firms model with fixed capital adjustment costs and firm-level productivity shocks. Trade between low-cost, low-wage countries like China and the developed world has increased substantially in recent decades. Recent empirical research suggests that firms exposed to this liberalization engage in more innovation. In a third chapter entitled ``Trapped Factors and China's Impact on Global Growth, '' which is joint work with Nick Bloom, Paul M. Romer, and John Van Reenen, we build a product-cycle model of growth and trade which seeks to both rationalize this micro-level response of firm innovation to low-cost competition as well as quantify the dynamic or growth based gains from trade liberalization.

The fifth edition of the #1 bestselling intermediate macroeconomics text, with coverage based on the most recent data available, plus new student media resources.

This dissertation consists of four chapters analyzing the effects of heterogeneous and asymmetric information in macroeconomic and financial settings, with an emphasis on short-run fluctuations. Within these chapters, I study the implications these informational frictions may have for the behavior of firms and financial institutions over the business cycle and during crises episodes. The first chapter examines how collateral constraints on firm-level investment introduce a powerful two-way feedback between the financial market and the real economy. On one hand, real economic activity forms the basis for asset dividends. On the other hand, asset prices affect collateral value, which in turn determines the ability of firms to invest. In this chapter I show how this two-way feedback can generate significant expectations-driven fluctuations in asset prices and macroeconomic outcomes when information is dispersed. In particular, I study the implications of this two-way feedback within a micro-founded business-cycle economy in which agents are imperfectly, and heterogeneously, informed about the underlying economic fundamentals. I then show how tighter collateral constraints mitigate the impact of productivity shocks on equilibrium output and asset prices, but amplify the impact of "noise", by which I mean common errors in expectations. Noise can thus be an important source of asset-price volatility and business-cycle fluctuations when collateral constraints are tight. The second chapter is based on joint work with George-Marios Angeletos. In this chapter we investigate a real-business-cycle economy that features dispersed information about underlying aggregate productivity shocks, taste shocks, and-potentially-shocks to monopoly power. We show how the dispersion of information can (i) contribute to significant inertia in the response of macroeconomic outcomes to such shocks; (ii) induce a negative short-run response of employment to productivity shocks; (iii) imply that productivity shocks explain only a small fraction of high-frequency fluctuations; (iv) contribute to significant noise in the business cycle; (v) formalize a certain type of demand shocks within an RBC economy; and (vi) generate cyclical variation in observed Solow residuals and labor wedges. Importantly, none of these properties requires significant uncertainty about the underlying fundamentals: they rest on the heterogeneity of information and the strength of trade linkages in the economy, not the level of uncertainty. Finally, none of these properties are symptoms of inefficiency: apart from undoing monopoly distortions or providing the agents with more information, no policy intervention can improve upon the equilibrium allocations. The third chapter is also based on joint work with George-Marios Angeletos. This chapter investigates how incomplete information affects the response of prices to nominal shocks. Our baseline model is a variant of the Calvo model in which firms observe the underlying nominal shocks with noise. In this model, the response of prices is pinned down by three parameters: the precision of available information about the nominal shock; the frequency of price adjustment; and the degree of strategic complementarity in pricing decisions. This result synthesizes the broader lessons of the pertinent literature. However, this synthesis provides only a partial view of the role of incomplete information: once one allows for more general information structures than those used in previous work, one cannot quantify the degree of price inertia without additional information about the dynamics of higher-order beliefs, or of the agents' forecasts of inflation. We highlight this with three extensions of our baseline model, all of which break the tight connection between the precision of information and higher-order beliefs featured in previous work. Finally, the fourth chapter studies how predatory trading affects the ability of banks and large trading institutions to raise capital in times of temporary financial distress in an environment where traders are asymmetrically informed about each others' balance sheets. Predatory trading is a strategy in which a trader can profit by trading against another trader's position, driving an otherwise solvent but distressed trader into insolvency. The predator, however, must be sufficiently informed of the distressed trader's balance sheet in order to exploit this position. I find that when a distressed trader is more informed than other traders about his own balances, searching for extra capital from lenders can become a signal of financial need, thereby opening the door for predatory trading and possible insolvency. Thus, a trader who would otherwise seek to recapitalize is reluctant to search for extra capital in the presence of potential predators. Predatory trading may therefore make it exceedingly difficult for banks and financial institutions to raise credit in times of temporary financial distress.

This thesis looks at the interactions between fiscal, monetary and structural policies along three dimensions. The first paper looks at the dynamic effects of structural reforms when monetary policy is constrained. Structural reforms entail short run output costs that can be o set by a demand expansion. When monetary policy cannot carry out this short run expansion, there is a role for fiscal policy. In this case, reforms imply a fiscal cost in the short run, which can be justified by a long run improvement in public finances. This paper quantifies the short run costs and long run benefits of potential reforms in Europe. Results show that output losses from reforms can be fully o set with a modest fiscal stimulus. While for product market reforms this cost is justified by the long run fiscal gains, labour market reforms alone do not provide a sufficient boost to long run tax revenues. The second paper looks at the transmission of fisscal policy in an economy characterised by tax evasion and corruption. Cross-country evidence highlights the importance of these features in determining fiscal multipliers, and VAR evidence suggests that spending cuts reduce tax evasion, while tax hikes increase it. In a model with an underground sector, spending cuts reallocate production towards the formal sector, thus reducing tax evasion. Tax hikes increase incentives to produce in the less productive informal sector, implying higher output losses. Embezzlement of public revenues further amplifies these losses by requiring larger tax hikes to reduce debt. The model corroborates the evidence of increased levels of tax evasion during recent fiscal consolidations in southern Europe. The final paper compares price-based and quantity-based fiscal adjustments when in action is low. Focusing on the public wage bill, this translates to fiscal consolidation through cuts to public wages or public employment. In both cases, low inflation eliminates the expansionary e ects of the consolidation for the private sector. The drag in economic activity is substantially amplified, with increased debt-to-GDP levels during the consolidation.

Three Essays in Macroeconomic Dynamics

The Selected Essays of David Laidler

Macroeconomics for Professionals

An Intermediate Textbook

The Short-Run Macroeconomics of Aid Inflows

Essays on Macroeconomic Policy

(Cont.) the release of information until the long-term results of the firm are realized. In equilibrium, when the belief about the aggregate state is high, managers will be given short-term incentives, delaying the release of information. When the belief about the aggregate state is low, long-term incentives will be prevalent and information will be released without delay. This produces asymmetric learning dynamics for the economy, with gradual booms and rapid recessions. In a boom the belief about the aggregate state increases, information is pushed off into the future, and learning is slow. In a recession the belief is falling, triggering a switch to long-term incentives, that brings forward the release of information and accelerates learning. Chapter 2 presents a model of corporate misreporting in an environment where investors have heterogeneous beliefs and short sale constraints. The disagreement between investors provides a motive for agents who start a firm to limit the amount of information which it releases to the public so as to sponsor speculation over its value. This incentive to limit information is stronger when the heterogeneity of beliefs among investors is stronger. Investors also learn about a firm's expected profitability from the information released by other firms in the industry. I show that this creates a strategic complementarily in the precision of information released by each firm. This can give rise to multiple equilibria: one in which all firms release precise reports and one in which their reports are inaccurate ...

Macroeconomics - Theory and Policy provides a comprehensive coverage of all the important theories and policies of macroeconomics. The book is an exhaustive text for understanding all the relevant concepts and current developments in the subject. It traces the relevance of Keynesian theories to the developing economies and has critically examined the post-Keynesian developments.

Money and Macroeconomics is a significant collection of David Laidler's most important papers on the so-called 'monetarist counter-revolution'. This volume contains both published and unpublished examples of his influential contribution, detailing empirical work on the demand for money, the economics of inflation, the foundations of the 'buffer stock' approach to monetary theory, the monetarist critique of new classical economics and issues of economic policy.

This thesis consists of three chapters that explore different macroeconomic issues. In the first chapter, I introduce deep habit formation into an otherwise standard two-country sticky price model with local currency pricing and examine the model's ability to account for the dynamics of the real exchange rate present in the data. I show that if consumption is subject to deep habit formation, the model can match the volatility of the real exchange rate observed in the data, but falls short in generating enough persistence in line with the empirical evidence. In the second chapter, I use data from US Treasury auctions to collect information on the bid-to-cover ratio, a maturity specific proxy for the degree of excess demand in the market for US Treasury bonds. I show that the financial crisis of 2008-09 generated a significant increase in bid-to-cover for short and medium duration debt. Excess demand from private investors has thus likely imposed considerable downward pressure on these yields separate from monetary policy. Further, the notably larger observed increase in bid-to-cover for short-term debt may have contributed to short-term rates hitting the zero lower bound and point to the existence of a convenience yield within the market for US Treasuries. In addition, I find that the US Treasury issued more bonds with medium duration (2,3 and 5 years) in response to the Federal Reserve's first and third quantitative easing programs. Thus, the US Treasury may have reduced the effectiveness of these unconventional policies in lowering yields for medium duration bonds. In the third chapter (joint with Marco Airaudo), we show that the asset market segmentation model built by Chen et al. (2012) to study the effects of quantitative easing contains a unit root. The unit root introduces error in the model's linear approximation, its convergence dynamics and its determinacy properties casting uncertainty on its usefulness for policy analysis. We eliminate the unit root by assuming that agents derive utility services from government bonds. When we simulate the model, we show that it is broadly consistent with conventional theory on the transmission mechanism of quantitative easing. However, our mechanism also highlights a new channel: a negative wealth effect which may counteract some of the stimulus induced by the central bank's purchases of long-term debt.

Understanding the Interaction of Fiscal and Reserve Policy

Essays on Informational Frictions in Macroeconomics and Finance

An Exploration

Brief Principles of Macroeconomics
Essays on Macroeconomics
This paper examines the possible short- and medium-term macroeconomic consequences of changes in trend factor productivity growth for the major OECD economies. The analysis includes a range of different scenarios based on the recently re-estimated OECD INTERLINK model, in particular its supply-side properties, which illustrate a range of uncertainties and the sensitivity of the adjustment mechanisms to macroeconomic and structural factors. Overall the results suggest that a rise in trend factor productivity will lead to higher levels of production and real income, but employment adjustment will depend on the extent to which the long-run equilibrium of an economy is affected. Though unemployment could rise temporarily, there are important mechanisms present which, if functioning correctly, should prevent any permanent increase in unemployment. The degree of market flexibility is, however, seen as being crucial to the adjustment process, with higher rigidities tending to lengthen the ...

This dissertation studies the dynamic effects of various economic shocks in a two-sector small open economy. It is divided into three essays. Essays 1 and 2 have a theoretical focus; they involve the developing of intertemporal optimizing models of a small open economy. In these essays, we use the representative-agent framework to derive dynamic macroeconomic effects. Specifically, in the first essay we examine the effects of monetary policy targeted at an inflation rate in a small open economy. We adopt a two-sector dependent economy where money is introduced through various cash-in-advance (CIA) constraints. Results are very significant and sensitive to various CIA constraints as well as relative capital intensities. Higher inflation will generate more investment in the economy leading to a higher level of capital stock and a lower level of net foreign assets in the long-run when the nontraded sector is more capital intensive and households need cash for purchasing tradable goods. However, the long-run effects are completely opposite if households need real balances for purchasing nontradable goods instead. In the second essay we examine the effects and the associated dynamics of an increase in international oil prices and domestic inflation. We show that an increase in oil prices or higher domestic inflation lowers the level of investment, production, and consumption in the long-run. The economy experiences a current account surplus along with a fall in capital stock by holding more foreign traded bonds. Transitional dynamics significantly depend on sectoral capital intensity as well. In essay 3 we investigate the explanatory power of yield spread in predicting economic activities in developing economies. We employ both the Markov regime switching model (MS) and the probit model to estimate the probability of recessions during the Asian financial crisis. We find that three-regime MS model is better predictor of recessions than tworegime MS model. The MS results are also compared with that of the standard probit model for comparison. The MS model does not significantly improve the forecasting ability of the yield spread in forecasting business cycles.

We develop a tractable open-economy new-Keynesian model with two sectors to analyze the short-term effects of aid-financed fiscal expansions. We distinguish between spending the aid, which is under the control of the fiscal authorities, and absorbing the aid-using the aid to finance a higher current account deficit-which is influenced by the central bank's reserves policy when access to international capital markets is limited. The standard treatment of the transfer problem implicitly assumes spending equals absorption. Here, in contrast, a policy mix that results in spending but not absorbing the aid generates demand pressures and results in an increase in real interest rates. It can also lead to a temporary real depreciation if demand pressures are strong enough to threaten external balance. Certain features of low income countries, such as limited participation in domestic financial markets, make a real depreciation more likely by amplifying demand pressures when aid is spent but not absorbed. The results from our model can help understand the recent experience of Uganda, which saw an increase in government spending following a surge in aid yet experienced a real depreciation and an increase in real interest rates.

In the second chapter, Elia Sartori and I present a wage posting model with search frictions where idiosyncratic shocks to optimal firm size generate different returns to adjusting the workforce. Our approach takes the firms as the only decision makers, and it assumes a simple employment contract: firms pay a wage and may only change an employment relationship by paying exogenously specified costs. Labor market outcomes are modeled as a mean field game equilibrium in which aggregate statistics impacting firms' policies, which play the role of prices, are the hiring and poaching flow rates. Consistency of aggregate choices with prices builds on a reduced form matching function which subsumes the entire functioning of the labor market outside of firms. Leveraging and extending recently developed numerical methods, we can solve for the equilibrium. The model delivers nontrivial policy functions and aggregates, which can be used to quantify features of the endogenous reshuffling of workers both in the size ladder and in the wage ladder, including net poaching along these two margins, as presented in, e.g., Haltiwanger et al. (2017). A calibrated version of the model is able to generate an inverted net poaching schedule which is consistent with their finding that smaller firms poach workers from larger ones.

Essays on Small Open Economy Macroeconomics

Essays in Applied Macroeconomics

Wealth Effects on Consumption and Tracking of Short-term Economic Developments

International Spillovers of Macroeconomic Shocks

A Guide for Analysts and Those Who Need to Understand Them

Essays in Macroeconomics and Dynamic Factor Models

After the financial crisis, macroeconomics became an unsettled discipline raising pedagogical challenges as to how to teach principles courses. This article concerns a principles of economics course that was initially taught with traditional methods. After students performed poorly during the initial course period, and engagement and attendance was subpar, it was discovered that most students, though young, were deeply affected by, and emotionally invested in, the financial crisis that caused the Great recession. They were also conversant with, and enthusiastic about, popular movies related to the crisis. Therefore, the class was flipped to teach to the dominant macroeconomic event in students' lives--the financial crisis. The notion of teaching to seminal economic events that loom large in student cognition is the primary pedagogical contribution of this article. The tools were 1) the flipped classroom; 2) experiential learning; 3) the use of popular movies as teaching tools; and 4) the requirement of a major research paper to solidify the learning from innovative techniques. This approach substantially raised student grades, resulted in a dramatic rise in attendance and student engagement, and demonstrably enhanced the creative and critical thinking of students.

Global temperatures have increased at an unprecedented pace in the past 40 years. This paper finds that increases in temperature have uneven macroeconomic effects, with adverse consequences concentrated in countries with hot climates, such as most low-income countries. In these countries, a rise in temperature lowers per capita output, in both the short and medium term, through a wide array of channels: reduced agricultural output, suppressed productivity of workers exposed to heat, slower investment, and poorer health. In an unmitigated climate change scenario, and under very conservative assumptions, model simulations suggest the projected rise in temperature would imply a loss of around 9 percent of output for a representative low-income country by 2100.

Understanding macroeconomic developments and policies in the twenty-first century is daunting: policy-makers face the combined challenges of supporting economic activity and employment, keeping inflation low and risks of financial crises at bay, and navigating the ever-tighter linkages of globalization. Many professionals face demands to evaluate the implications of developments and policies for their business, financial, or public policy decisions. Macroeconomics for Professionals provides a concise, rigorous, yet intuitive framework for assessing a country's macroeconomic outlook and policies. Drawing on years of experience at the International Monetary Fund, Leslie Lipschitz and Susan Schadler have created an operating manual for professional applied economists and all those required to evaluate economic analysis.

This dissertation studies firm behavior in the context of macroeconomics. Although firms are a key building block of macroeconomics, their behavior has not been fully understood in the literature of economics. This dissertation is intended to build a deeper knowledge of firms. In particular, I extensively study firm-level markup and the firm's response to financial market disturbances. There are three research questions: how does firm-level markup evolve over the firm life cycle? what are the properties of firm-level markup? and do all firms respond to financial market disturbances similarly? The first chapter examines the evolution of firm-level markup over the firm life cycle. By using longitudinal microdata on Korea manufacturing industries, I document two empirical findings. First, firm-level markup increases over the life cycle. The estimated cumulative increase in markup over 30 years is 18% and most increases take place during the first 10 years of the life cycle. Second, the growth profile differs depending on the number of customers firms target. Firms that target a large number of customers more rapidly increase markup during the early stage of the life cycle, whereas firms that target a small number of customers increase markup more gradually for a longer period. To explain these findings, I develop a firm life cycle model with customer capital as the form of deep-habit formation. I find that by allowing type-specific deep-habit parameters the model can match the empirical findings. The second chapter studies the properties of firm-level markup. By using the same data in the first chapter, I document six findings on firm-level markup. First, firm-level markup is unconditionally countercyclical. Second, countercyclicality differs depending on the types of goods industries produce. Third, industries in which the number of firms is more procyclical exhibit stronger countercyclicality. Fourth, firms that trade more with affiliated firms set lower markup. Fifth, innovative firms set higher markup. Sixth, firms that more rely on regular workers exhibit stronger countercyclicality than firms that rely on non-regular workers. These findings indicate that firm and industry characteristics affect firm-level markup in various ways. The third chapter analyzes the response of small and large manufacturing firms to two financial market disturbances. By using the standard VAR approach, I find that there is heterogeneity in responses between small and large firms and depending on types of shocks. Specifically, the shocks to credit markets mainly tighten large firms' financial constraints through commercial paper markets. The cumulative decrease in large firms' short-term debts is 2.5 times larger. On the other hand, financial uncertainty shocks only tighten small firms' financial constraints through short-term bank borrowings. Besides, I find evidence that large firms use cash holdings to finance inventories after the shocks to credit markets

Technical Progress, Factor Productivity and Macroeconomic Performance in the Medium Term

The Macroeconomic Effects of Public Investment

The Effects of Weather Shocks on Economic Activity: What are the Channels of Impact?

Teaching to a Dominant Event in Students' Lives

Essays on Macroeconomic Stabilization Policy in Small Open Economies

Essays on Financial Economics and Macroeconomics

Roger Farmer is to be congratulated for editing this splendid set of essays in honour of Axel Leijonhufvud. . . I am sure that most of the readers of these essays will be excited and stimulated by their contents. Economic Record This book honors the work of the influential economist Axel Leijonhufvud. His work in macroeconomics, monetary theory and European economic history has spurred great discussion over many years, and the authors of this book comprise some of the very best economists active today. The broad influence of his work is evident in the variety of subjects his readers address. The topics range from Keynesian economics and the economics of high inflation to the micro-foundations of macroeconomics and economic history. The reader will find an intriguing compilation of ideas ranging from bankruptcy and collateral debt, the macroeconomics of broken promises, interest rate setting, growth patterns of macro models, innovation history to macroeconomics with intelligent autonomous agents. Scholars and students of economic history, Keynesian economics and alternative monetary theory will be delighted with the work inspired by this influential thinker.

This book collects selected articles addressing several currently debated issues in the field of international macroeconomics. They focus on the role of the central banks in the debate on how to come to terms with the long-term decline in productivity growth, insufficient aggregate demand, high economic uncertainty and growing inequalities following the global financial crisis. Central banks are of considerable importance in this debate since understanding the sluggishness of the recovery process as well as its implications for the natural interest rate are key to assessing output gaps and the monetary policy stance. The authors argue that a more dynamic domestic and external aggregate demand helps to raise the inflation rate, easing the constraint deriving from the zero lower bound and allowing monetary policy to depart from its current ultra-accommodative position. Beyond macroeconomic factors, the book also discusses a supportive financial environment as a precondition for the rebound of global economic activity, stressing that understanding capital flows is a prerequisite for economic-policy decisions.

Macroeconomics in the Small and the LargeEssays on Microfoundations, Macroeconomic Applications and Economic History in Honor of Axel LeijonhufvudEdward Elgar Publishing

Abstract: Whether and when does banking serve to stabilize the economy? Caprio and Honohan view the banking system as a filter through which foreign and domestic shocks feed through to the domestic economy. The filter can dampen or amplify the shocks through various credit market channels, including credit growth, import of foreign capital, and possibly interest rates. The question is whether the prudential quality of banking, as proxied by measures of regulatory quality and openness to foreign banking, amplify or dampen these shocks. The authors find that many of the regulatory characteristics that have been found to deepen a financial system and make it more robust to crises"notably those which empower the private sector"also appear to reduce the sector's ability to provide short-term insulation to the macroeconomy. It is as if prudent bankers are reluctant to absorb short-term risks that, if neglected, might cause solvency and growth problems in the longer run. Forbearance might dampen short-term volatility, but at the expense of the longer run health of the banking sector and the economy. One way to avoid this apparent tradeoff is evident: banking systems which have a higher share of foreign-owned banks, a feature already associated with financial deepening and lowered risk of crisis, also seem to score well in terms of short-term macroeconomic insulation. This paper"a joint product of Finance, Development Research Group, and the Financial Sector Strategy and Policy Department"is part of a larger effort in the Bank to analyze bank regulation and supervision. The authors may be contacted at gcaprio@worldbank.org or phonohan@worldbank.org.

LDC Macroeconomics

Money, Expectations, and Business Cycles

Short-Run-Growth, Instability, and External Dependency

Evidence from Advanced Economies

Macroeconomics in the Small and the Large

A Short Course