



### COURSE (MODULE) DESCRIPTION

Course title	Code
Applied Macroeconomics	

Staff	Department
<b>Coordinator:</b> Nijolė Valinskytė <b>Other(s):</b> Dr Mariarosaria Comunale, Dr Mustapha Douch, Dr Marius Jurgilas	Faculty of Economics and Business Administration

Study cycle	Course type
First (Bachelor's)	Compulsory

Form of implementation	Period of implementation	Language of instruction
Face-to-face and remote (depending on the situation)	Semester 5	English

Requirements for student	
<b>Prerequisites:</b> Mathematical Methods, Statistical Theory, Econometric Theory and Practice, Economic Principles II, Economic Theory II	<b>Additional requirements (if any):</b> -

Number of ECTS credits	Student's workload	Contact hours	Individual work
5	130	36	94

Purpose of the course and competences developed		
<p>This course aims to present and analyze contemporary problems and policy issues in the macro economy. It will build on the foundations laid in the first year's principles course and it will also develop more fully the theoretical and analytical approaches presented in the second year's economic theory course.</p> <p>This course provides (i) an introduction to some econometric methods which are broadly used in empirical macroeconomics, (ii) an introduction to macroeconomic models and related concepts that are relevant for analyzing macroeconomic policies.</p>		
Learning outcomes	Teaching methods	Assessment methods
1.1. Have acquired knowledge in macroeconomic analysis and is able to apply the methods discussed in classes to treat macroeconomic data.	Lectures, practical classes, tutorials with empirical content through illustrations in EViews, R or STATA	Written exam (50%) Four assignments (40%) In class participation (10%)
3.2; 4.2 Use and interpret mathematical models describing macroeconomic relations and present them in class.	Tutorials and assignments.	
2.1; 3.1 Critically evaluate macroeconomic policy, appreciate importance and limitations of macroeconomic theory to inform policy choices.	Lectures, tutorials, discussions.	
Course themes	<b>Contact / Individual work: time and assignments</b>	

	Lectures	Tutorials	Seminars	Practical classes	Laboratory work	Practice	Contact hours	Individual work	Assignments due date
Introduction to economic policy evaluation. Analysis of policy shocks/policy change on economic agents. The main focus will be on Difference-in-Difference approach. An application of the impact of policy change will be carried in Stata. <i>(by Dr Mustapha Douch)</i>	2			1			3	6	Main readings: AP (Mostly Harmless Econometrics): Ch. 4, 5
Causal inference and its application: Synthetic Control Methods for comparative case studies. An application of the impact of policy change will be carried in Stata. <i>(by Dr Mustapha Douch)</i>	2			1			3	10	Main readings: <ul style="list-style-type: none"> <li>• <a href="https://economic.s.mit.edu/files/17847">https://economic.s.mit.edu/files/17847</a></li> <li>• <a href="https://economic.s.mit.edu/files/11858">https://economic.s.mit.edu/files/11858</a></li> <li>• <a href="https://economic.s.mit.edu/files/11859">https://economic.s.mit.edu/files/11859</a></li> </ul> Assignment 1
Fiscal policy and fiscal multipliers <i>(by Dr Marius Jurgilas)</i>	6						6	18	Main readings: Romer Ch. 12 Romer and Romer (2010) Assignment 2
Basic mechanism of financial crises, the role of housing <i>(by Nijolė Valinskytė)</i>	6						6	12	Main readings: CS Ch. 3 and 6,  Mian and Sufi (2009), Adelino, M., Schoar, A., & Severino, F. (2016)
Overview of macroprudential policies, case studies and impact evaluation <i>(by Nijolė Valinskytė)</i>	4	2					6	18	Reading specified research articles Assignment 3
Optimal monetary policy, the dynamic inconsistency of low-inflation monetary policy, empirical applications <i>(by Dr Marius Jurgilas)</i>	6						6	18	Main readings: Romer Ch. 11 and specified research articles Assignment 4
The trilemma and Optimum Currency Areas. The Economic and monetary union and convergence. Policy coordination <i>(by Dr Mariarosaria Comunale)</i>	6						6	12	Main readings: BW (Ch. 13,15 and 16) & DeG (Ch. 1-5)  (No assignment)
<b>Total</b>	<b>32</b>	<b>2</b>		<b>2</b>			<b>36</b>	<b>94</b>	

Assessment strategy	Share in %	Time of assessment	Assessment criteria
Written exam (180 minutes)	50	<b>End of autumn semester</b>	The final exam will consist of both longer open questions in which students have to show their analytical capabilities and of shorter questions simply testing students' knowledge. The final exam will test the material from the whole course.
Four assignments	40	<b>Throughout the semester</b>	Students will receive four homework assignments asking them analytical questions about the material covered in class and questions asking them to connect the studied material to the real world.
In class participation	10	<b>In class</b>	Active participation in class, contributing to the discussions, providing feedback and additional information based on the assigned reading.

Author	Published in	Title	Issue No. or Volume	Publishing house or Internet site
<b>Required reading</b>				
Slides as well as online resources will be made available to all students.				
Angrist, J. D. and J. S. Pischke (Referred to as AP)	2011	Mostly Harmless Econometrics: An Empiricist's Companion	First Edition	Princeton University Press
Romer, D.	2012	Advanced Macroeconomics	Fourth Edition	McGraw-Hill
Carlin, W. and D. Soskice (Referred to as CS)	2014	Macroeconomics: Imperfections, Institutions, Instability and the Financial System	First Edition	Oxford University Press
Baldwin, R. and C. Wyplosz (BW)	2019	The Economics of European Integration	Sixth Edition	McGraw-Hill
De Grauwe, P. (Referred to as DeG)	2020	Economics of Monetary Union	Thirteenth Edition	Oxford University Press
Hanson, S. G., Kashyap, A. K., and Stein, J. C.	2011	A macroprudential approach to financial regulation	Journal of Economic Perspectives, 25 (1), 3-28	
Mian A, Sufi A.	2009	The consequences of mortgage credit expansion: evidence from the US mortgage default crisis	Quarterly Journal of Economics, 124(4):1449-96	
Adelino, M., Schoar, A., & Severino, F.	2016	Loan originations and defaults in the mortgage crisis: The role of the middle class	Review of Financial Studies, 29 (7), 1635-1670	
Romer, C. D.; Romer, D. H.	2010	The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks	American Economic Review, 100, 763-801	