

**Federal State Educational Government-financed Institution of Higher Professional
Education
“Lomonosov Moscow State University”**

Moscow School of Economics

The syllabus confirmed by the
Scientific Council of the MSE MSU

« ____ » _____ 2019

SYLLABUS OF THE COURSE

Applied International Macroeconomics

Specialization

38.04.01 “Economics”
(code and name of direction of preparation)

Qualification (degree) of the graduate student
Master of Science in

Tuition
Full-time

The syllabus is confirmed by the decision of the
Chair of Economic Theory of the MSE MSU
_____, 2019

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Moscow
2019

Teaching and Learning Strategy

Teaching and instruction methods include lectures, interactive teaching methods in the forms of question discussions. Time allocation between teaching methods is outlined in the table below.

Type of study		Total hours				
		Total	Semester			
			1	2	3	4
Classes		20		20		
Including	Lectures	10		10		
	Practical training	10		10		
Self-study		52		52		
In Total	Hours	72		72		
	Credits	2		2		
Type of control:				pass/non pass		

This is interactive course and most part of it students are working on the proposed questions. The theoretical basics are delivered through lectures prepared with modern multimedia tools such as power point presentations.

Curriculum

Topic 1. Macroeconomics in an open economy

Applied international economics (2 hours)

Aggregates. An open and a closed economy. Components of international economics. Basic concepts: flows and stocks; economic agents; economic sectors, transactions and other flows; assets and liabilities; nominal and real values; public and private sectors; residents and nonresidents. Economic agents: households, firms, government, the rest of the world. The economic process: production, distribution, and use. Key macroeconomic identities: saving-investment balance, balance of payments, savings, government budget, monetary sector.

Data. Macroeconomic statistics: tables, graphs, descriptive statistics, correlation.

Analytics. Macroeconomic operationalism: heuristic approach in macroeconomics. Programming: real, financial, structural. Analysis: cross-sectional and time-series. Macroeconomic options: fixed and flexible exchange rate, with and without capital mobility.

Macroeconomic programming (2 hours)

Aggregates. Macroeconomic framework: diagnostics, analysis, forecasting. Macroeconomic sectors: real, fiscal, monetary and external. Time periods: historical, estimated, current, short-term, medium-term, long-term. Links among sectors. Inter-sectoral consistencies. Assumptions: global, regional, country-specific, sectoral commodity. Macroeconomic program: goals, types, structure, components. *Data.* Sources of information on countries' economic programs, SDDS, GDDS.

Analytcs. Financial program and growth-oriented program. Scenarios: baseline, alternative, shock. Sensitivity analysis. Program modes: positive, normative, adjustment. Adjustment: fiscal, monetary, external. Quadrant of macroeconomic policy instruments. "Impossible trinitities": monetary, fiscal, and capital. External stability: external balance and internal balance. Policy mix.

Topic 2. Real and nominal economy

Output and income (2 hours)

Aggregates. Aggregate demand and aggregate supply. The economic process: output, intermediate consumption, value added, operating surplus, primary income, disposable income, final consumption, saving, gross capital formation, consumption of fixed capital, change in inventories, net lending, financing. GDP, GNI, GDI. Real and nominal GDP. Deflator: price and quantity deflation. Savings: domestic and national. Real income. Trading losses and gains.

Data. BEA, WEO, OECD, PGI, national statistics. Comparability and treatment.

Analytcs. Projections of real growth: production; use and income approaches. Output gap. Methods: growth accounting, leading indicators, sectoral value added. Potential output: Statistical and structural models. Saving-investment balance: compilation and interpretation. Industrial policy. Programming of real GDP: diagnostics, analysis, projection.

Inflation (2 hours)

Aggregates. Consumption, consumer, household. Aggregate price level. Index number. Laspeyres (base-weighted) and Paasche (current-weighted) indices. Fixed base and chain indices. Consumer price indices. Indexation. Inflation and deflation. Real consumption and real income. CPI and inflation accounting. Expenditure weights. Inflation: core, weighted-median, expected, targeted, seasonal. CPI and (implicit) GDP deflator: composition and consistency check.

Data. BLS, WEO, World Bank, PGI, OECD, national statistical agencies.

Analytcs. Construction of elementary price indices. Measuring inflation. Inflation forecasting. Cost-pulled inflation: world prices, exchange rate, wages, indirect taxes. Demand-pulled inflation: money supply, fiscal deficit, expectations, price regime, exchange rate regime. Pass-through effects. Inflation and interest rates. Inflation and unemployment. Inflation policy: targeting, containing. Inflation Programming of inflation: diagnostics, analysis, projection.

Topic 3. Public sector and fiscal policies

Budget (2 hours)

Aggregates. Public sector: general government, public corporations, social protection. Government. Economically significant price. Government unit: central, state, local. Public corporations. Budget: systems, year, transactions. Economic and functional classification. Budget accounting: accrual, due-for-payment, commitment, cash. Government operations: revenue, expense, operating balance, lending/borrowing. Revenue: taxes, social contributions, grants, other. Expense: compensation of

employees, goods and services, consumption of fixed capital, interest, subsidies, grants. Financing: domestic, external.

Data. CBO, IFS, OECD, national ministries of finance.

Analytics. Revenue: compulsory transfers, property income, voluntary transfers. Expenses: current, capital. Fiscal deficit/surplus. Fiscal balances: operating balance, lending/borrowing, cash surplus/deficit, primary, basic, structural, primary, basic, operating. Fiscal burden. Fiscal space. Government saving and investment. Revenue forecasting: tax and nontax. Tax revenue: elasticity and buoyancy. Fiscal policy: tax level and rates, expense level, consumption vs. investment, counter-cyclical and pro-cyclical. Fiscal policy rules. Deficit: sustainability, crowding out. Expense forecasting: discretionary and nondiscretionary. Automatic stabilizers. Fiscal policies: fixed and flexible e-rate, no and full capital mobility. Optimal mix of fiscal, monetary, capital policies. Fiscal programming: diagnostics, analysis, projection.

Debt (2 hours)

Aggregates. Definition of debt. Debt dichotomies: external-domestic, public –private, short-term-long-term, guaranteed-nonguaranteed, concessional-nonconcessional. Debt: stock, service, principal, interest, arrears, maturity, grace period, instruments, position, operations. Nominal and present value. Debt composition: country, currency, interest rate. Debt instruments: money market, bond, loans, currency and deposits, trade credits. Debt reorganization: rescheduling, forgiveness, conversion, reduction, restructuring, buyback.

Data. JEDH, BIS, OECD, IMF, World Bank. National statistical agencies.

Analytics. Risks: solvency, liquidity, sustainability, vulnerability. Debt ratios and dynamics. Contribution: debt stock, interest rate, exchange rate, primary fiscal balance, other flows, stock-flow adjustment. Debt valuation: PV, NPV, CIRR. CPIA. Thresholds. Debt sustainability: external and public. Baseline and sensitivity: alternative scenarios and stress-tests. Debt programming: diagnostics, analysis, projection.

Topic 4. Monetary sector and monetary policies

Liquidity (2 hours)

Aggregates. Financial corporations: central bank, commercial banks, insurance corporations, pension funds, other depository corporations. Financial assets. Liquidity: legal tender, fixed value, transferability, divisibility, maturity, yield. Broad money: currency, transferrable deposits. Counterparts: NDA, NFA, OIN. Money: holders and issuers. Monetary authorities: definition, functions, balance sheet. Reserve money. Commercial banks: definition, functions, balance sheet. Monetary survey: compilation, components, interpretation. Factors affecting liquidity. Money multiplier. Financial markets. Financial instruments: bonds, equity, derivatives. Risks. Interest rates: real and nominal, term structure.

Data. BIS, IFS, national central banks, FED, PGI.

Analytics. Money demand: money velocity approach, model-based approach. Money supply: rules and factors. Factors affecting reserve money and multiplier. Central bank's control over reserve money: autonomous liquidity supply, policy liquidity supply. Required and excess reserves. Structural liquidity deficit. Analytical ratios: currency/deposit, reserve/deposit, time deposit/demand deposit, required reserves/demand deposits, excess reserve/demand deposits. Forecasting: central bank balance sheet, monetary survey, and interest rates. Monetary programming: diagnostics, analysis, projection.

Monetary policy instruments (2 hours)

Aggregates. Policy interest rates. Nominal and real interest rates. Monetary policy instruments: open market operations (reverse and outright transactions, debt certificates, swaps, deposits), standing facilities (marginal lending, deposit facility), reserve requirements (determination, minimum reserve,

holding period). Reverse operations: main refinancing, long-term, fine-tuning, structural. Eligible assets, counterparties, collateral, procedures (tender, bilateral, end-of-Topic). Financial markets: money market, debt market, equity market.

Data. National central banks, ECB, FED, BIS, IMF. Nominal anchors.

Analytics. Monetary policy targets: immediate, intermediate, final. Price stability: definition, indicators, time-span. Transmission channels: interest rate, credit, exchange rate, expectations. Liquidity projections. Control of broad money: role of the CB, government, banks, depositors. Domestic credit: to the government, public enterprises, private sector. The crowding out effect. Monetary policy under fixed and flexible e-rate. Monetary and fiscal policies: optimal mix. Monetary sector programming: diagnostics, analysis, projection.

Topic 5. External sector and exchange rate policy

Balance of payments (2 hours)

Aggregates. Balance of payments and international investment position. BoP accounts: current, capital, financial. Current account: trade balance, primary income, secondary income. Financial account: foreign direct investment, portfolio investment, other. Reserves: monetary gold, SDR, reserve position IMF, currency and deposits, securities, claims. Control, availability for use, pooled reserves. BoP presentation: standard, analytic, sectoral, monetary. Exceptional financing.

Data. IMF, OECD, BEA, national central banks

Analytics. External stability. Assumptions: world prices, мировые цены, interest rates, exchange rate, external demand. Functions: export supply and import. Elasticities: price, exchange rates. Trade: value, volume, prices. Financial account: forecasting FDI and portfolio investments. Reserve: adequacy (levels, currency composition, maturity) and management. BoP adjustment. Capital mobility policies: restrictive, liberal. Balance of payments programming: diagnostics, analysis, projection.

Exchange rates (2 hours)

Aggregates. Foreign exchange: sources of supply of and demand for foreign exchange. Exchange rate regimes: Fixed, currency board, conventional peg, stabilized, crawling peg, crawling-like, pegged with a band, floating, free-floating. Exchange rate: nominal, real, NEER, REER. Fixed rates: devaluation and revaluation. Floating rates: depreciation and appreciation. Overvalued and undervalued exchange rate. Selection of exchange rate regime. Devaluation effects. Pass-through effects.

Data. IMF, FED, national central banks.

Analytics. Exchange rate level: consistency with external and internal balances. Fundamental determinants of the exchange rate level. The current account norm: permanent and temporary factors. Exchange rate assessment methods. Methods: external sustainability, macroeconomic balance approach: equilibrium REER, purchasing power parity (PPP), permanent income hypothesis (PIH). Exchange rate policies: active, passive. Exchange rate programming: diagnostics, analysis, projection.

Bibliography

Topic 1.

Main

<http://www.imf.org/en/Data#RSSS>

SNA (2013) ch.2 A-C.

BoP (2010), ch.14 A-B.

Cases 1 and 2

Additional

Montiel (2009), ch.4.

Hoover (2011), ch. I, V,VI.

Rao - Nallari (2001), ch. 4.

Topic 2.

Main

<http://www.imf.org/en/Data#RSSS>

SNA 2008, ch. 2D, 15C,D.

CPIM 2004, ch.1.1-1.34; 1.46-1.52; 2.1-2.43; 3.1-3.5; 3.91-3.96; 4.1-4.8; 9.1-9.24.

Cases 3 and 4

Additional

Hoover 2011, parts II, V 9-10.

Rao - Nallari 2001, ch. 5.

Topic 3.

Main

<http://www.imf.org/en/Data#GovFin>

GFSM (2014), ch. 2- 4, App. 2, 4.

Cases 5 and 6

Additional

Hoover (2011), ch.13, 17.

Montiel (2009), ch. 10-12.

Rao - Nallari (2001), ch. 8.

Topic 4.

Main

<http://www.imf.org/en/Data#MonStat>

MFSM 2000, ch. III 82-105, IV,VI,VII.

Cases 7 and 8

Additional

Hoover 2011, ch. 6-7, 16.

Montiel 2009, ch. 10-12.

Rao - Nallari 2001, ch. 7.

Topic 5.

Main

<http://www.imf.org/en/Data#ESS>

BPM6 (2010), ch. 2, 6, App 1.

IMF (2017), ch.I-V.

Cases 9 and 10

Additional

Hoover (2011), ch.8

Montiel (2009), ch. 13-15.

Rao - Nallari (2001), ch. 9.

REFERENCES

The descriptive part of the course (aggregates and data) relies mainly on internationally accepted standards and codes available for free downloads at <http://www.imf.org/external/data.htm#guide>. The analytical part of the course draws on the author's experience in macroeconomic programming and will be available in the form of PowerPoint slides and hands-on exercises.

1. Kireyev A. (2014). *International Macroeconomics*. M., International Relations Publishers.
2. Kireyev A. (2013). *International Microeconomics*. M., International Relations Publishers.
3. Kireyev A. (2006). *Applied Macroeconomics*. M.: International Relations Publishers.
4. Kireyev A. (2003). *International Economics*. Part II. M., Free download at www.alleng.ru/d/econ/econ131.htm; www.elobook.com/meo; www.twirpx.com/file/54526
5. Kireyev A. (2006). Computer supplement to *Applied Macroeconomics*. M.
6. Montiel P. (2009). *International Macroeconomics*. NY: Wiley-Blackwell.
7. Hoover K. (2011). *Applied Intermediate Macroeconomics*. Cambridge: University press.
8. Rao M. and R. Nallari (2001), *Macroeconomic Stabilization and Adjustment*. Oxford: University press.
9. *External Balance Assessment (EBA): Technical Background of the Pilot Methodology* (IMF, 2017). <http://www.imf.org/external/np/res/eba/data.htm>
10. The External Balance Assessment Methodology: 2018 Update. <https://www.imf.org/en/Publications/WP/Issues/2019/03/19/The-External-Balance-Assessment-Methodology-2018-Update-46643>.
11. *System of National Accounts (SNA, 2008)*. 2008 <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>
12. *Consumer Price Index Manual: Theory and Practice (CPIM, 2004)*. <http://unstats.un.org/unsd/EconStatKB/KnowledgebaseArticle10130.aspx>
13. *Government Finance Statistics Manual (GFSM, 2014)*. <http://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf>
14. *Monetary and Financial Statistics Manual and Compilation Guide (MFS, 2019)*. <https://www.imf.org/en/Publications/Manuals-Guides/Issues/2018/09/21/Monetary-and-Financial-Statistics-Manual-and-Compilation-Guide-43001>.
15. *Balance of Payments and International Investment Position Manual (BoP, 2010)*. Sixth Edition of the IMF's, Updated in 2013 (BPM6) <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

Examples of country reports

IMF: Country information <http://www.imf.org/external/country>

Morgan Stanley: Global Economic Forum <http://www.morganstanley.com>

McKinsey: Global Institute <http://www.mckinsey.com/mgi>

Economist Intelligence Unit: country reports <http://www.eiu.com>

Standard & Poor's: Global Credit Portal <https://www.globalcreditportal.com>

Assessment Strategy

Performance during the course is assessed based on the following criteria:

- *Class participation* (20%). Good class participation includes staying on top of current macroeconomic events and ability to share examples and offer their analysis in each of the discussed macro areas.

- *Case studies* (30%). Ten Excel-based cases will be discussed: saving-investment balance, real growth, inflation, budget, public debt, monetary survey, interest rate, balance of payments, exchange rate, macroeconomic program.
 - *Final essay* (50%). A 4-5-page essay on the macroeconomic situation of a selected country is required. The analysis should be based on the current data presented in 4 tables (national accounts and prices, fiscal operations, monetary survey and balance of payments) and include diagnostics of past problems, the analysis of the current situation, and medium-term projections. The conclusions should contain recommendations on an investment strategy for a private sector company in the selected country and policy measures to be taken by its government to correct the identified problems.
- The exam retake policy is: A student will retake the exam if her/his total score was below 50 points.
- Only a justified absence entitles to an additional quiz (no retakes are allowed).

Academic Integrity

Academic honesty is non-negotiable. All assignments submitted in fulfillment of course requirements must be the student's own work. Plagiarism and/or any other form of academic dishonesty will not be tolerated and will result in a grade of zero on the assignment.

Questions by Topics, and Exemplary Assignments

Essay on the macroeconomic situation of a selected country

Information about instructor

Professor Alexei Kireyev

Education:

PhD (Doctor of economics), Moscow State Institute of International Relations (1989)

MA, Economics, George Washington University, USA (1999)

Experience

1993-current: Senior economist, IMF (Washington DC)

2000-03 IMF Representative to the WTO (Geneva)

1991-93 Economist, World Bank (Moscow)

1992-93 Consultant, Russell Investments (Seattle)

1989-1991 Senior Economic Advisor, Presidency (Moscow)

1984-89 Professor of Economics (Moscow, Seattle)

Publications :

Twelve books and over 100 articles.

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