

Macroeconomic Theory Lecture 12

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What was all that about?

1. Macroeconomic theory, developments from 19th Century to today.
2. Macroeconomic data, worked out examples and useful models.
3. Critical appreciation of the workings of both models and data.

More specifically:

You saw:

- ▶ Measuring Growth and Distribution
- ▶ Models of Production: Firms and Households
- ▶ Consumption & Savings
- ▶ Classical and Neoclassical Models of Growth and technical change
- ▶ OLG and government debt
- ▶ NK/RBC/DSGE approaches (in gloss form)
- ▶ Endogenous money, SFC approach
- ▶ Endogenous technical change and investment constrained growth
- ▶ Structuralist/Keynesian models.

Data, data, data

- ▶ Learning to work with multi-faceted and noisy data sets are very important
- ▶ Sense of when data make sense to use, and when not
- ▶ Common data-usage pitfalls here too.
- ▶ Interaction of data and models, too, very useful going forward.

Thinking what you'll need to know to understand modern economics

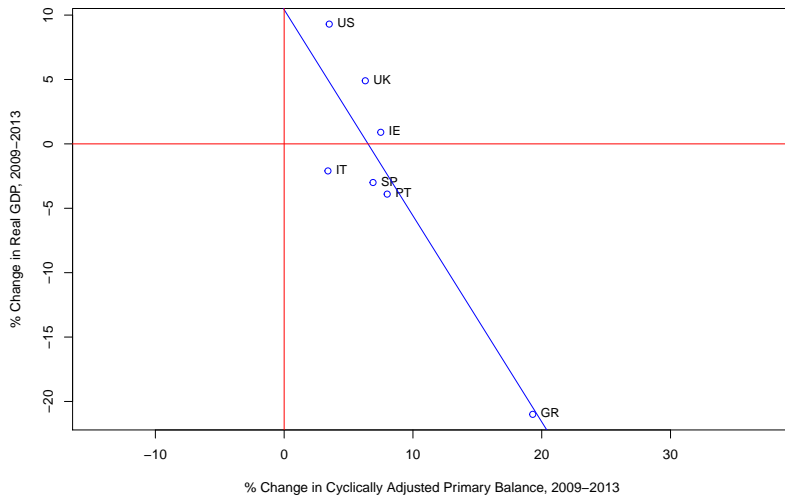
- ▶ Gentzkow and Shapiro: Modern economics is all about

*“Asking good questions. Digging up novel data.
Designing statistical analysis. Writing up results”.*

- ▶ See Code and Data for the Social Sciences: A Practitioner's Guide by Gentzkow and Shapiro
- ▶ Appropriate Code/Automation/Version Control/Directories/Documentation/Code Management
- ▶ Very important to get good at this throughout the Masters. Macro theory is one step in this process.

The big issues that really do matter

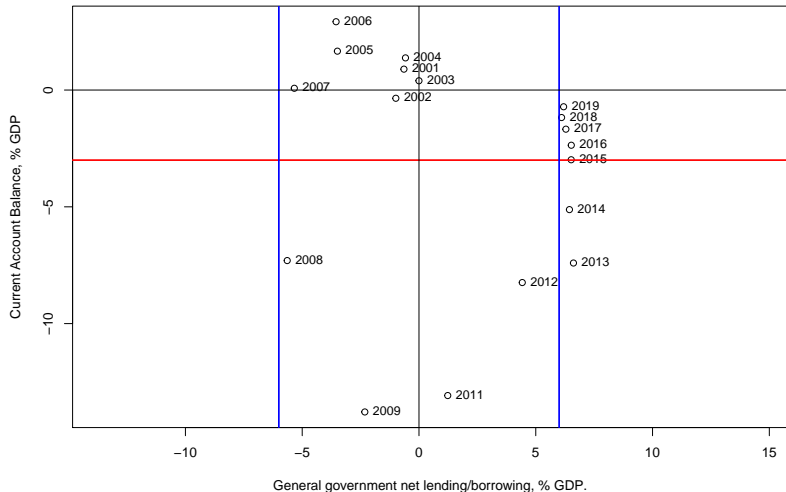
Sharper Consolidation, Better Growth? Source: IMF WEO.



Policy making as target-setting? What do you think?

Red line: Maastricht/SGP Rule. Blue Line: MIP Scorecard.

Target-Driven Policy Making. Source: IMF WEO. Note: 2010 observation omitted.



Some thoughts on the exam.

- ▶ This is a 2.5 hour exam, you have 2 sections to deal with.
- ▶ First section: ten short questions, think 1/2/3 paragraphs, max. Idea is to push you to read across the module.
- ▶ Section section: 3 longer questions from 5. Idea is push you to read into specific areas of the module.
- ▶ Of course we're here to help in the run up to the exam.

Now, finally, an exercise.

- ▶ Go get the data. They are from one macroeconomy.
- ▶ No context, no information on where this place is.
- ▶ Let's start trying to figure out what's going on in practical terms using the skills you've learned during the module.