

Applied Macro and International Economics II
15.014
2024 Syllabus

This course is the continuation of 15.012 (012 is indeed a prerequisite). The course is divided in two distinct sections. The first one addresses questions of sustainability from a macroeconomic point of view. The underlying problem is how can standards of living be improved in a sustainable manner. In this context, sustainability has more than one dimension: (i) obviously sustainability from the environmental and resource use; but also from the (ii) social and political; (iii) institutions; (iv) economy and markets; (v) organizations; (vi) relations; (vii) and personal. Growth in standards of living and social wellbeing needs all dimensions to be internally consistent. For example, it makes no sense to grow the economy if that is inconsistent with the environment. Furthermore, it is inconsistent if growth collides with personal aspirations. We develop a framework (called BBNN) where we can study the interactions between all these dimensions and study each one in particular. We will use my class notes to develop this framework. The second part of the course deals with two topics. ESG measurement and Crypto Assets. I discuss how do we measure ESG and what are their problems. I also discuss the carbon markets and how they are badly design. The course ends with a primer on the economics of crypto assets: its design problems and how to move forward.

All the readings are from two sources: my class notes (MIM) “Managerial International Macroeconomics”, and from (JG) Jonathan Gruber’s Public Finance Book. And a couple of paper that I have written.

Prerequisites: if you are an MBA you must have taken 15.012 before taking this class. No exceptions! If you are from HKS, HBS, Urban Studies, or Sloan Fellows, and you are planning to take this class, you need to chat with me – you might be exempt of the prerequisite depending on which classes you have taken.

Grading

Grading is participation (40%) and one final project (60%). The project is the following:

Pick a country of your choice (preferably a country that has problems)

1. Do a diagnostic in the BBNN
2. Do a forecast on what is likely to happen to the demand, wages, and wage inflation
3. Describe one short run problem the country is having
4. Describe one long run problem the country has
5. Propose a Fiscal/monetary/labor/exchange rate policy to deal with the short run problem
6. Describe what happens to the BBNN
7. Propose a reform to address the long run problem
8. Discuss what are the possible consequences

The long run problems can be related to growth but also to sustainability broadly defined: environment, labor treatment, social unrest, discrimination, crime, etc. Design regulation/market/incentives in such a way that the problem is addressed. Find the unintended possible consequences and include in your design any contingent transfer required to have political support for it.

Deliverables:

Teams decided

Topic of the project sent to me and TA

The project due

February 26th

March 4rd

April 19th (just after you finish your taxes...)

Contact Information

Professor

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Office Hours: By appointment

Teaching Assistant

(only for grading)

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Communication

Please, use emails! And very important, in the subject please put 15014. I receive hundreds of email a day and I have a special filter in the email when I deal with this course. This will maximize the likelihood that I read your email!

Schedule of the classes

Class	Date	Dow	Title	Readings	Videos
1	2/6/24	T	BBNN: Internal and External Adjustment	(RR): BBNN: Basic	BBNN 1-2-3 (3 videos)
2	2/8/24	Th	BBNN: Internal and External Adjustment (part 2)	(RR): BBNN: Basic	BBNN 10-11-12-13 (4 videos)
3	2/13/24	T	Shocks to BB and NN	(RR): BBNN: Shocks	BBNN 20-21-22 (3 videos)
4	2/15/24	Th	Social Peace Line, Political Cycles, and PROMISE	(RR): BBNN: Social Peace, (RR): BBNN: Sustainability	BBNNSP 1-2-5-6 (4 videos)
	2/20/24	T	Holiday (no class)		
5	2/21/24	W	Theories of Flexible Exchange Rates (Monday Schedule)		
6	2/22/24	Th	Social Transfers: From Wealth to Welfare		
7	2/27/24	T	Social Choice Problem		
8	2/29/24	Th	Sustainability: Measurement, Aggregate Confusion, and Carbon Confusion	Aggregate Confusion (paper)	
9	3/5/24	T	Work of the Future: EPOCH		WoF.gpt WoF.labor WoF.measurement
10	3/7/24	Th	Banks and Financial Crises		Banks 1,2,3, and 4 (4 videos)
11	3/12/24	T	The economics of Crypto Assets: Payment Systems		Crypto.intro Crypto.currencies Crypto.ledger Crypto.internet.assets Crypto.blockchain Crypto.uth (6 videos for the two sessions on crypto)
12	3/14/24	Th	The economics of Crypto Assets: Crises and Infrastructure		