

### ***Summary***

The country-analysis project will be performed as a sequence of assignments from the beginning of the semester to the end. Each student in the class will be assigned a single country to analyze. Each assignment in the sequence will involve a qualitative and quantitative analysis of some aspect of the country's macroeconomy, to be written up as a formal report. The quantitative analyses will be done in Excel and perhaps occasionally Stata. At the end of the semester, you will edit your set of assignment reports into a multi-chapter analysis of your country's macroeconomy. There may be opportunities for you to present your analysis to your classmates during the semester and at the end.

### ***Week 1: Choosing your country***

Your choice of a country to analyze will define your semester's work, so it is very important to choose well. You may choose any country other than the United States for which you can obtain sufficient data to perform the required analyses. Your choice should be guided by three criteria:

- You should choose a country that you find interesting, because you have to study it for a whole semester.
- Your country should have data available for major macroeconomic variables, because you have to have something to analyze. You need to be able to obtain data on most variables for at least 30 and ideally 50 years.
- A country with an interesting—but not too chaotic—macroeconomic history will give you more to analyze. You probably don't want a totally boring country in which nothing has ever happened, but frequent structural changes may lead to instability in macroeconomic relationships that will make your analysis very difficult.

### ***Weeks 2 and 3: Learning about your country***

Once you have chosen your country, you will examine economic surveys and histories of the country. Your report for this section will serve as an introduction to your country in the final report. It should describe the basic structural characteristics of the economy, the major events that have impacted the economy since 1950, and the basic institutional arrangements that govern economic activity and macroeconomic policy. This report should conclude with a brief assessment of macroeconomic conditions in 2014.

### ***Weeks 4 and 5: Compiling a database for your country***

Subsequent assignments will require quantitative data analysis, so you will use these weeks to obtain data—mostly from online sources—for major macroeconomic variables. You may find

that for later assignments you will need to supplement that basic database that you assemble here, but this assignment will assemble a basic data set as an Excel spreadsheet.

### ***Weeks 6 and 7: Analysis of long-run growth performance***

In this assignment, you will use data from a unified global source (the Penn World Tables) calculate average real GDP growth rates over various time intervals, estimate trend regressions for your country, assess your country's growth performance in relation to the conditional convergence hypothesis, and perform a simple growth accounting exercise.

### ***Week 8: Analysis of long-run inflation and unemployment***

What has been the long-run inflation performance of your country? You will examine the relationship between inflation, growth in various measures of money, and output growth. Has inflation been stable over time or have there been episodes of higher and lower inflation (and what were their causes)? Is the average unemployment rate in your country high or low, and how does that relate to the country's labor-market institutions? Have there been extended periods of high or low unemployment? What were their causes?

### ***Week 9: Analysis of Phillips curve relationship***

What has been the short-run relationship between unexpected inflation and cyclical fluctuations in unemployment? Do your country's data support the modern Phillips curve model? Does it matter which measures of expected inflation and natural unemployment you use?

### ***Week 10: Explaining cyclical movements and short-run policies using the IS/LM/TR and AS/AD framework***

What pattern of macroeconomic shocks and policy responses would explain the short-run movements in real output, interest rates, and inflation in your economy over the sample period? Does this pattern seem consistent with the historical evidence of shocks? Are there anomalies that are not well explained by the conventional macroeconomic framework?

### ***Week 11: Analysis of country's international balances***

Examine and assess the evidence on interest-rate parity for your country. How well does the inflation differential explain the movements in exchange rates? How well does international macro theory explain the current-account and capital-account balances?

### ***Week 12: Examining the dynamic behavior of government debt and deficits***

Examine the history of government deficits and debt for the sample period using the accounting identities for the debt-GDP ratio. Is your country heavily indebted? Has it been in the past? What is the risk premium on your country's bonds? Is there any history of defaults? What are the future prospects for the future?

***Final weeks: Assembling your analyses into a final report***

Now that you have examined the key macroeconomic variables and relationships for your economy, put your analysis together into a single document that tells the country's macroeconomic story. Begin with each of the reports above constituting a single chapter. Depending on their importance, some chapters may be subsumed into others. You should edit all of the chapters to fit the overall narrative, and transform the first report into an introduction that includes an overview of the whole document. Finally, add a conclusion summarizing your study.