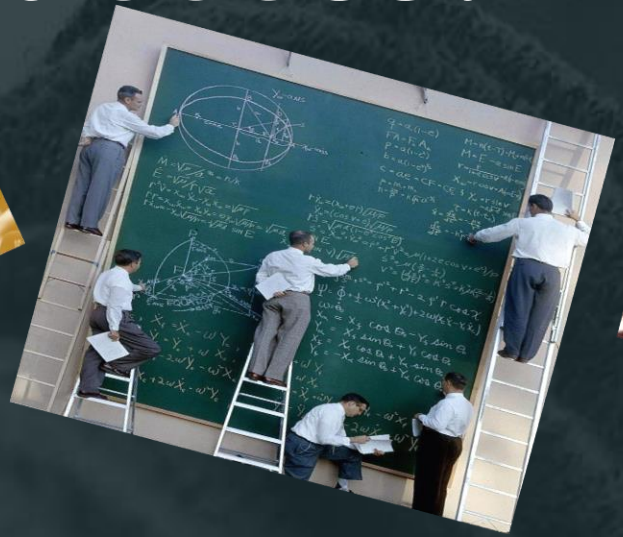
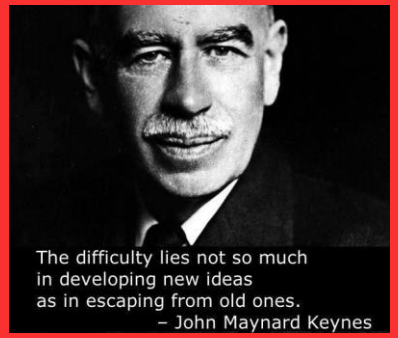
Lecturing Economics: Is there a key to success?



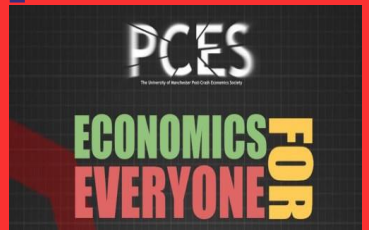
7 Tips on Being a Good Lecturer in Economics

7 Tips on Being a Good Lecturer in Economics

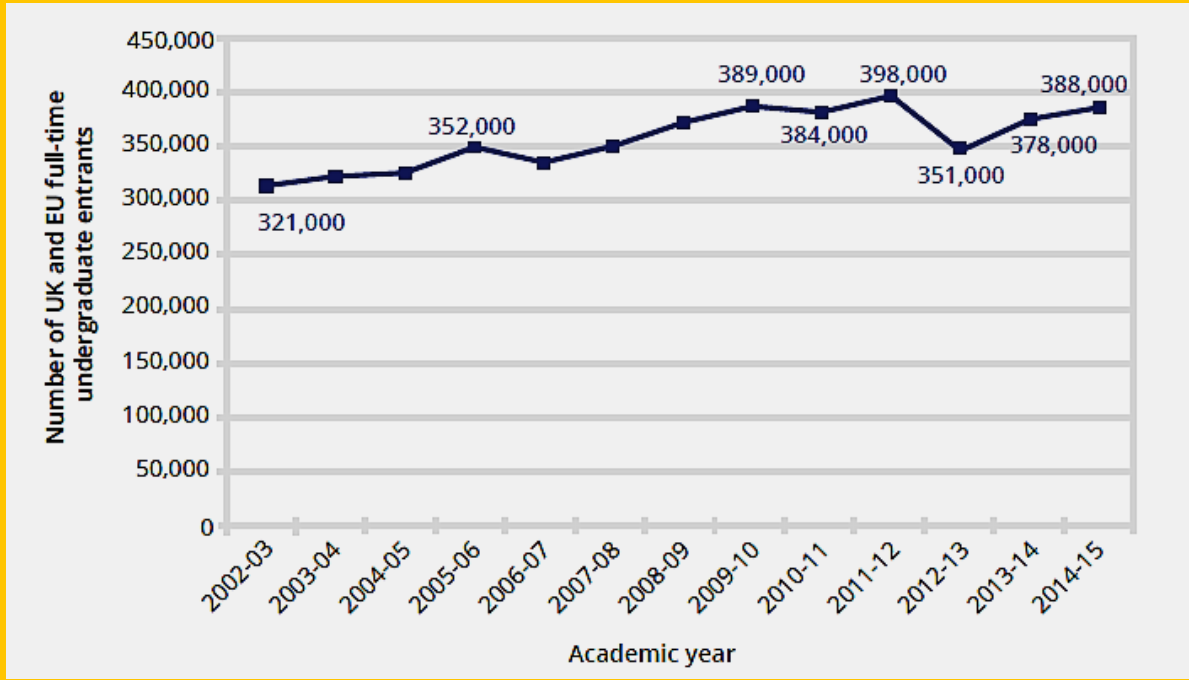


“

- Economics took a battering after the financial crisis, but faculties are refusing to teach alternative views. It’s as if there’s only one way to run an economy

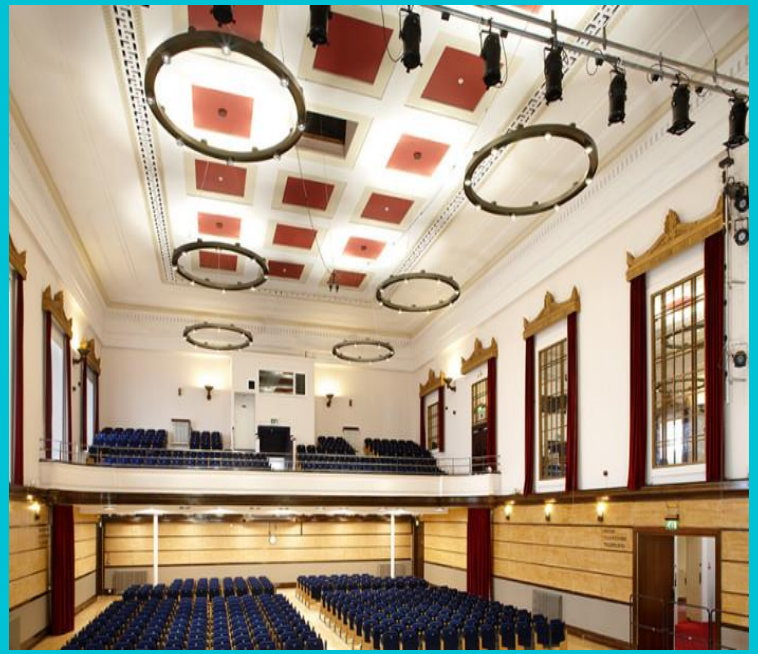


CHALLENGES



UK and other EU full-time undergraduate entrants, 2002-03 to 2014-15. *Source: Universities Funding Council, Higher Education Statistics Agency*

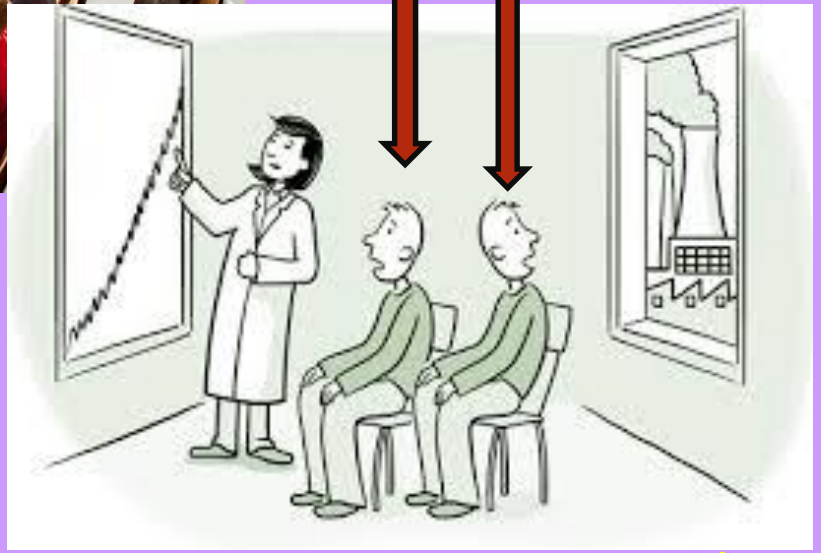
CHALLENGES



CHALLENGES

ANALYTICAL

GLOBAL



Dunn and Griggs (2000)

INITIAL STEPS

IS curve and output gap (cont.)

$$Y_t = C_t + I_t + G_t + X_t - M_t$$
$$C_t = \alpha_c \bar{Y}_t$$
$$G_t = \alpha_g \bar{Y}_t$$
$$X_t = \alpha_x \bar{Y}_t$$
$$M_t = \alpha_m \bar{Y}_t$$
$$\frac{I_t}{Y_t} = \alpha_i - b(r_t - \rho)$$

Deriving IS curve

$$\frac{Y_t}{\bar{Y}} = \frac{C_t}{\bar{Y}} + \frac{I_t}{\bar{Y}} + \frac{G_t}{\bar{Y}} + \frac{X_t}{\bar{Y}} - \frac{M_t}{\bar{Y}}$$
$$\frac{Y_t}{\bar{Y}} = \alpha_c + \alpha_i - b(r_t - \rho) + \alpha_g + \alpha_x - \alpha_m$$

IS curve and output gap (cont.)

$$x_t = \frac{Y_t - \bar{Y}_t}{\bar{Y}_t}$$
$$\frac{Y_t}{\bar{Y}} - 1 = \alpha_c + \alpha_i - b(r_t - \rho) + \alpha_g + \alpha_x - \alpha_m - 1$$
$$\underbrace{\frac{Y_t}{\bar{Y}} - 1}_{x_t} = \underbrace{\alpha_c + \alpha_i + \alpha_g + \alpha_x - \alpha_m - 1}_{a} - b(r_t - \rho)$$
$$x_t = \alpha - b(r_t - \rho) \qquad \text{(IS curve)}$$

INITIAL STEPS

IS curve and output gap (cont.)

$$x_t = \frac{Y_t - \bar{Y}_t}{\bar{Y}_t}$$

$$\frac{Y_t}{\bar{Y}} - 1 = \alpha_c + \alpha_i - b(r_t - \rho) + \alpha_g + \alpha_x - \alpha_m - 1$$

$$\underbrace{\alpha_c + \alpha_i + \alpha_g + \alpha_x - \alpha_m - 1}_{a} - b(r_t - \rho)$$

$$x_t = a - b(r_t - \rho) \qquad \text{(IS curve)}$$

IS curve and output ga

$$Y_t =$$
$$C_t =$$
$$G_t =$$
$$X_t =$$
$$M_t = \alpha_m Y_t$$
$$\frac{I_t}{Y_t} = \alpha_i - b(r_t - \rho)$$

Deriving IS curve

$$\frac{Y_t}{\bar{Y}} = \frac{C_t}{\bar{Y}} + \frac{I_t}{\bar{Y}} + \frac{G_t}{\bar{Y}} + \frac{X_t}{\bar{Y}} - \frac{M_t}{\bar{Y}}$$

$$\frac{Y_t}{\bar{Y}} = \alpha_c + \alpha_i - b(r_t - \rho) + \alpha_g + \alpha_x - \alpha_m$$

“

- I hear and I forget.
- I see and I remember.
- I do and I understand.

- Confucius

IS in terms of output gap

$$
\begin{aligned}
Y_t &= C_t + I_t + G_t + X_t - M_t \\
C_t &= \alpha_c \bar{Y}_t \\
G_t &= \alpha_g \bar{Y}_t \\
X_t &= \alpha_x \bar{Y}_t \\
M_t &= \alpha_m \bar{Y}_t \\
\frac{I_t}{\bar{Y}_t} &= \alpha_i - b(r_t - \rho)
\end{aligned}
$$

$$
x_t = \alpha - b(r_t - \rho) \qquad \text{(IS curve)}
$$

1. Consider the following economy:

$$C_t = \alpha_c \bar{Y}_t \quad (1)$$
$$G_t = \alpha_g \bar{Y}_t \quad (2)$$
$$X_t = \alpha_x \bar{Y}_t \quad (3)$$
$$M_t = \alpha_m \bar{Y}_t \quad (4)$$
$$\frac{I_t}{\bar{Y}_t} = \alpha_i - b(r_t - \rho) \quad (5)$$

(a) Derive the IS curve for this economy.

(b) Provide an explanation of equation (5).

IS in terms of output gap

$$Y_t = C_t + I_t + G_t + X_t - M_t$$
$$C_t = \alpha_c \bar{Y}_t$$
$$G_t = \alpha_g \bar{Y}_t$$
$$X_t = \alpha_x \bar{Y}_t$$
$$M_t = \alpha_m \bar{Y}_t$$
$$\frac{I_t}{\bar{Y}_t} = \alpha_i - b(r_t - \rho)$$

$$x_t = \alpha - b(r_t - \rho) \qquad \text{(IS curve)}$$

TRADITIONAL?

Application: The Global Financial Crisis of 2007-2009

- Causes:
- Financial innovations emerge in the mortgage markets
  - Subprime and Alt-A mortgages
  - Mortgage-backed securities
  - Collateralized debt obligations (**CDOs**) product
- Housing price bubble forms
  - Increase in liquidity from cash flows su States (China and India)
  - Congressional Legislation that encourag Freddie Mac to buy MBS
  - Low interest rates

Application: The Global Financial Crisis of 2007 - 2009 (cont'd)

- Housing price bubble forms (cont'd)
  - Development of subprime mortgage market fueled housing demand and housing prices.
- Agency problems arise
  - "Originate to distribute" model is subject to principal (investor) agent (mortgage broker) problem.
  - Borrowers had little incentive to disclose information about their ability to pay

TRADITIONAL?

Application: The Global Financial Crisis of 2007-2009

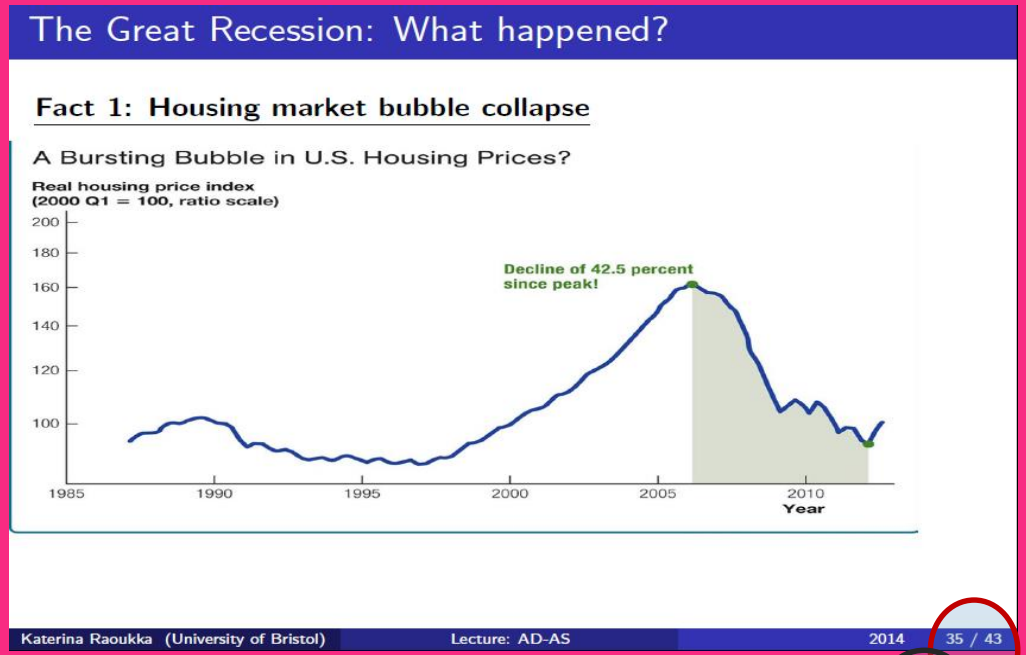
- Causes:
- Financial innovations emerge in the mortgage markets
  - Subprime and Alt-A mortgages
  - Mortgage-backed securities
  - Collateralized debt obligations (**CDOs**) product
- Housing price bubble forms
  - Increase in liquidity from cash flows su States (China and India)
  - Congressional Legislation that encourag Freddie Mac to buy MBS
  - Low interest rates

Application: The Global Financial Crisis of 2007 - 2009 (cont'd)

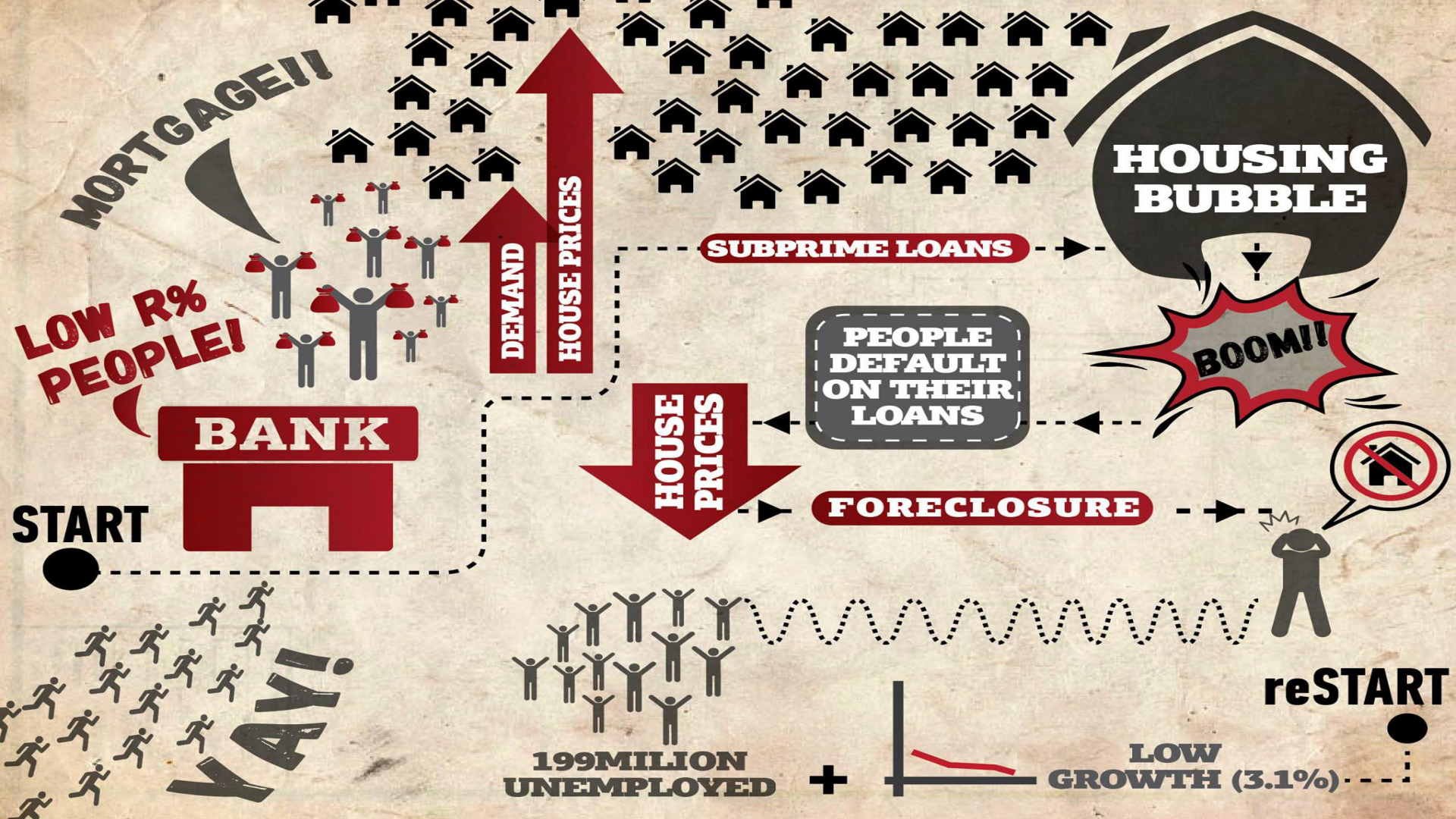
- Housing price bubble forms (cont'd)
  - Development of subprime mortgage market fueled housing demand and housing prices.
- Agency problems arise
  - "Originate to distribute" model is subject to principal (investor) agent (mortgage broker) problem.
  - Borrowers had little incentive to disclose information about their ability to pay

“

Given the centrality of **graphing** to the practice of science, an important aspect……is being able to **use and interpret graphs** in ways that are typical to that discipline.



A PICTURE IS WORTH A THOUSAND WORDS


MORTGAGE!!
LOW R% PEOPLE!
BANK
START
DEMAND
HOUSE PRICES
SUBPRIME LOANS
HOUSING BUBBLE
BOOM!!
PEOPLE DEFAULT ON THEIR LOANS
HOUSE PRICES
FORECLOSURE
YAY!
199MILION UNEMPLOYED
+
LOW GROWTH (3.1%)
reSTART

BRING IT FORWARD

Housing bubble - US

6


TAX
SPEND
GOVERMENT
(G > T)
DEFICIT
NO!
SOLUTIONS
1.
DECREASE EXPENDITURE
OR INCREASE TAXES
G T
2.
BORROW
DOMESTIC OR FOREIGN
MARKETS
ACCUMULATION
OF BORROWING
DEBT
public debt as a % of GDP
U.K: 89.4%
U.S.A: 102.98%
GREECE: 177.7%
and so on...
global debt sum
$ 057,967,686,900,55
1. r > g
2. future generations

9. What were the main strengths of the lectures?

Interesting Stories which explains how models ~~work in real~~ relate to the real world.

9. What were the main strengths of the lectures?

Informative lecture notes Story and relate to real world is much more understandable

9. What were the main strengths of the lectures?

Made content interesting

9. What were the main strengths of the lectures?

Interesting, the amazing way of teaching.

9. What were the main strengths of the lectures?

- Graphical explanations & ideas

9. What were the main strengths of the lectures?

MUSIC

THANK YOU!

Any questions?

You can find me at katerina.raoukka@bristol.ac.uk