

# Advanced Macroeconomics

## GOALS

Macroeconomics is the study of the economy as a whole. It is therefore concerned with some of the most important questions in economics.

- Why are some countries rich and others poor?
- Why do countries grow?
- What are the sources of recessions and booms?
- What are the determinants of consumption and investment?
- Why is there unemployment?
- What are the sources of inflation?

Answers to such questions are the subject of this course.

## EVALUATION

Given the course's format, I expect you to read in advance the material for every session. Active participation is encouraged. There will be 3 homework assignments. They will be posted on the course's website. All problem sets should be typed, yet graphs and algebra can be hand-written as long as they are clear and legible. Late assignments will not be accepted under any circumstance.

There will be one midterm exam and one final exam. Final exam will be cumulative. Your final grade in the class will be determined as the following weighted average of your work throughout the semester

Problem Sets	20%
Midterm Exam	30%
Final Exam	50%

## TEXTBOOK

The main text for the course is

**Romer, David.** *Advanced Macroeconomics*. McGraw Hill, 2006 (3<sup>rd</sup> edition).

Supplementary readings include lecture notes, which I will distribute as we proceed, as well as journal articles and selections from other books.

## COURSE OUTLINE

### I Modern Macroeconomics

**Blanchard, Olivier.** “What Do We Know about Macroeconomics that Fisher and Wicksell Did Not?” *Quarterly Journal of Economics*, November 2000, 115(4), pp. 1375-1409.

**Blanchard, Olivier.** “The State of Macro.” *Annual Review of Economics*, 2009, 1, pp. 209-228.

**Kydland, Finn E.** “Quantitative Aggregate Economics.” *American Economic Review*, December 2006, 96(5), pp. 1373-83.

**Phelps, Edmund S.** “Macroeconomics for a Modern Economy.” *American Economic Review*, June 2007, 97(3), pp. 543-61.

**Woodford, Michael.** “[Revolution and Evolution in Twentieth-Century Macroeconomics.](#)” Unpublished Manuscript, 1999.

### II Growth

The Solow Growth Model, Romer Ch. 1

Research and Development Models, Romer Ch. 3, Part A

Cross-Country Income Differences, Romer Ch. 3, Part B

**Kenny, Charles and Williams, David.** “What Do We Know About Economic Growth? Or, Why Don’t We Know Very Much?” *World Development*, January 2001, 29(1), pp. 1-22.

**Romer, Paul M.** “The Origins of Endogenous Growth.” *Journal of Economic Perspectives*, Winter 1994, 8(1), pp. 3-22.

**Solow, Robert M.** “Perspectives on Growth Theory.” *Journal of Economic Perspectives*, Winter 1994, 8(1), pp. 45-54.

“[The Solow–Swan Model](#)”, **Barro and Sala-i Martin**, Chapter 1

### III Real Business Cycles

Real-Business Cycle Theory, Romer Ch. 4

“[Real Business Cycles](#)”, **Ellen R. McGrattan**

(The note has been prepared for The New Palgrave Dictionary of Economics, 2nd edition)

**Rebelo, Sergio.** “Real Business Cycle Models: Past, Present and Future.” *Scandinavian Journal of Economics*, June 2005, 107(2), pp. 217-238.

## IV Microeconomic Foundations

The Lucas Imperfect-Information Model, Romer Ch. 6, Part A

New Keynesian Economics, Romer Ch. 6, Part B

## V Consumption and Investment

Consumption, Romer Ch. 7

Investment, Romer Ch. 8

**Hall, Robert E.** “Stochastic Implications of the Life-Cycle Permanent Income Hypothesis: Theory and Evidence.” *Journal of Political Economy*, December 1978, 86(6), pp. 971-987.

## VI Unemployment and Inflation

Unemployment, Romer Ch. 9 (9.1, 9.2, 9.3)

Inflation and Monetary Policy, Romer Ch. 10 (10.1, 10.2, 10.3)

**Gilles, Saint-Paul.** “Why Are European Countries Diverging in Their Unemployment Experience?” *Journal of Economic Perspectives*, Autumn 2004, 18(4), pp. 49-68.

**Orphanides, Athanasios.** “Monetary-Policy Rules and the Great Inflation.” *American Economic Review*, May 2002, 92(2), pp. 115-120.

*Good Luck!*