ADVANCED MACROECONOMIC THEORY
ECON 6201, Section U90
Spring 2016
5:30-8:15 pm, Tuesdays
Room 606, Center City Building

Professor Benjamin Russo
Email: brusso@uncc.edu
Office Hours: Tuesdays 4:30-5:30
Web: www.belkcollege.uncc.edu/brusso

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COURSE OBJECTIVES and REQUIREMENTS

The course covers macroeconomic models of long-run growth in the standard of living, models of short-run fluctuations in output and unemployment (business cycles), and basic issues in the theory of monetary and fiscal policy. It is impossible to examine all the issues thoroughly in one semester, so the course is selective. Small changes in growth rates, sustained over long periods, have large effects on the standard of living in the long run. Therefore, the course begins with long-run growth. Business cycles, monetary policy, and fiscal policy take up the second half of the course.

Time is a crucial variable in macroeconomics because stocks (E.G. the stock of physical capital) accumulate slowly over time. Thus, modern macroeconomics uses dynamic optimization theory (I.E, optimization over time) to model the effects of economic decisions and policies. Although we will not study dynamic optimization theory per se, we will study many applications. This will require facility with partial differentiation, logs and exponentials. I will make available a manuscript (“Logarithms, Exponentials, Growth, and Growth Rates,”) that provides a brief review these tools. Note that homework 1 is appended to the end of that manuscript. See the section on Grades, below.

TEXT


A) The text is available at the Center City Bookstore. Used copies will save you money. However, you need to use the fourth edition. Do not buy an earlier edition.

B) A Solutions Manual provides answers to the end-of-chapter problems in Romer’s text. I will not assign end-of-chapter problems for homework. End-of-chapter problems are not models for test questions. However, if you wish to practice by doing end-of-chapter problems, I will make copies of the solutions manual available.

GRADES

Course grades will be based on two midterm exams, a final exam and homeworks. Exams are based, in order of importance, on class notes, homeworks, the Romer textbook, and journal articles (cited in the section Chapters and Readings below). Note that exam questions are not modeled on Romer’s end-of-chapter problems. Nevertheless, some students have told me they believe they benefited by answering Romer’s end-of-chapter problems.

A) Important Note: Instructions for Homework 1 are appended to the end of “Logarithms, Exponentials, Growth, and Growth Rates;” I will email a copy to you. Homework 1 is due January 19.

B) Tentative exam schedule:
   1st midterm exam, Tuesday, February 16
   2nd midterm exam, Tuesday, April 5
   Final exam, Tuesday, May 10, 5:00 pm to 7:30 pm (note the change in start time)
CHAPTERS and READINGS

Chapter 1: Solow Growth Model - Saving Rate and Technology Growth Rate are Exogenous
   A) Introduction and The Solow Growth Model
      Reading: pp. 1-32 in Romer
   B) Convergence
      Readings: 1) p. 32 through top of p. 36 and pp. 179-180 in Romer
   C) Savings and Investment
      Readings: 1) pp. 36-37 in Romer

Chapter 2: Diamond Growth Model - Saving Rate is Endogenous, Technology Growth Rate is Exogenous
   A) Introduction
      Reading: p. 49 through equation 2.5 on p. 52 in Romer
   B) The Diamond Model of Endogenous Saving
      Reading: pp. 77-93 in Romer
   C) Does Including Human Capital in a Solow Model Explain Cross-country Differences in Living Standards?
      Readings: 1) p. 150 through middle of p. 154 in Romer

Chapter 3: Endogenous Growth Models - Saving Rate and Technology Growth Rate are Endogenous
   A) Knowledge Accumulation without Physical Capital
      Reading: 1) pp. 101-107 (Case 1: $\theta < 1$) in Romer
   B) The Nature of Technical Knowledge and the Central Questions of Growth Theory
      Readings: 1) Sections 3.4 and 3.8 in Romer
                2) middle of p. 156 to top of 160, pp. 162 – 163, p. 168 through middle of 169 and Section 4.6

Chapter 5: Stylized Facts and Schools of Thought in Macroeconomics
   Readings: 1) pp. 189-195 in Romer
               2) Section 5.9 in Romer
Chapter 6: Nominal Wage Rigidity and Inflation Expectations in a Business Cycle Model

A) Nominal Wage Rigidity: Introduction
   Reading: pp. 238-242 in Romer

B) Nominal Wage Rigidity Case 1
   Reading: pp. 244-246 in Romer

C) The IS curve, the Taylor Rule, and a Modern Aggregate Supply - Aggregate Demand Model
   Readings: 1) pp. 543-544 (the Taylor Rule)
              2) bottom of p. 255 through p. 266 in Romer

D) Debt-deflation
   Readings: 1) pp. 301-302 in Romer
              2) Irving Fisher, 10/1933, "The Debt-deflation Theory of Great Depressions," Econometrica,
                  pp. 337-357.

Chapter 12: Budget Deficits and Fiscal Policy
   Readings: 1) p. 584 through bottom of p. 592 in Romer
              2) Sections 12.9 and 12.10 in Romer

Epilogue: The Financial Crisis and Beyond
   Reading: pp. 644-648 in Romer

Standards of Academic Integrity will be enforced. Students are responsible for observing the UNCC Code of
   Student Academic Integrity, which forbids cheating, fabrication or falsification of information, multiple
   submission of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty.
   Academic evaluation in this course includes a judgment that student work is free of dishonesty. Grades will be
   adversely affected by academic dishonesty. Students who violate the Code can be expelled. The normal
   penalty for a first offense is zero credit on the work involving dishonesty and substantial reduction of the course
   grade. In almost all cases the course grade is reduced to F. Students are expected to report cases of academic
   dishonesty.

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all
   individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to
   ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-
   economic status.