ADVANCED MACROECONOMIC THEORY
ECON 6201, U90
Spring 2014
5:30-8:15 pm, Tuesdays
Room 501, Center City Building

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Offices: 713 Center City Building and 219A Friday Building
Office Hours: In room 713 of the Center City Building on Tuesdays, 4:30-5:30 pm
In my office, 219A in the Friday Building, by appointment

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 cover all these issues in one semester, so the course is selective. Small changes in growth rates, if sustained, have large effects on the standard of living in the long run. 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 macro because stocks (E.G. capital) accumulate slowly over time. Thus, modern macroeconomics uses dynamic optimization theory to model the effects of economic decisions and policies. Although we will not study dynamic optimization per se, we will use it in many applications. This requires facility with partial differentiation and logs and exponentials. “Logarithms, Exponentials, Growth, and Growth Rates,” available at www.belkcollege.uncc.edu/brusso, reviews these tools. The course assumes familiarity with concepts discussed there.

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 hardcopies of the solutions manual available.

GRADES

Course grades will be based on a midterm exam, a final exam (tentative exam dates below), and five homeworks. Exams are based, in order of importance, on class notes, homeworks, the Romer textbook, and journal articles (cited in the Readings below). Note that exam questions are not modeled on Romer’s end-of-chapter problems. Nevertheless, some students say 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” available at www.belkcollege.uncc.edu/brusso. Homework 1 is due at the second class meeting, Tuesday, January 21.
**B) Tentative exam schedule:**
Midterm exam, Tuesday, March 11
Final exam, Tuesday, May 6, **5:00** pm to 7:30 pm

**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. 1-31 in Romer

B) Convergence

**Readings:**
1) pp. 32-35 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. 77-92 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: p. 238-242 in Romer

B) Nominal Wage Rigidity Case 1 (see next page)

Reading: p. 245-246 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

Chapter 12: Budget Deficits and Fiscal Policy

Readings: 1) pp. 584 through 594 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.