ADVANCED MACROECONOMIC THEORY
ECON 6201, U90
Spring 2015
5:30-8:15 pm, Tuesdays
Room 506, Center City Building

Professor Benjamin Russo
email: brusso@uncc.edu
Offices: 713 Center City Building and 219A, Friday Building
Office Hours: Room 713, Center City Building, Tuesday, 4:30-5:30 pm
Web: www.belkcollege.uncc.edu/brusso

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 (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 use 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 reviews these tools. Note that homework 1 is appended to the end of that manuscript. See 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 a midterm exam, 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-chapter problems. Nevertheless, some students have said 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,” which I will provide you a copy of. Note that homework 1 is due on January 20.

B) Tentative exam schedule:
Midterm exam, Tuesday, March 10
Final exam, Tuesday, May 5, 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
Reading: 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.