The Central University of Finance and Economics
China Center for Human Capital and Labor Market Research

Advanced Macroeconomics I

Fall 2012

Instructor: Sophie Wang
Email: sophiewang2004@gmail.com
Class hours & place: 8:00 am – 9:50 am, Monday; Main Building 401
                               1:30 pm – 3:20 pm, Thursday; Main Building 401
Office hours & place: 8:15 am – 11:15 am, Thursday; Academic Hall #613

Course Outline

Course Summary and Objectives:
This course provides an overview of most of the core topics in macroeconomics. The goal is to learn how to apply the workhorse models of modern macro. The focus will be on theory, but students should be able to understand and interpret empirical work as well. The first half of the course will focus on growth theories; the second half will survey business cycle theories and unemployment.

Required Text:
Advanced Macroeconomics by David Romer. 3rd Edition or 4th Edition. McGraw-Hill/Irwin Publishing, 2006 or 2011.

Recommended Text:
Recursive Macroeconomic Theory, by Lars Ljungqvist and Thomas Sargent. 2nd Edition, MIT Press, 2004.
Introduction to Economic Growth by Charles Jones. 2nd Edition, W.W. Norton, 2002

Grading:

Class Participation	10%
Midterm	25%
Quizzes and Assignments	25%
Final exam	40%

The approximate final grade distribution for the course will be as follows. Adjustments will be made as necessary. A: 90% and above; B: 80%-89%; C: 70%-79%; D: 60%-69%; F: below 60%.

Quizzes and Exams: There will be one midterm, one final exam and no more than two quizzes. There will be no make-up exam for the midterm. Students who have documented medical reasons for missing the midterm will write and present a portfolio of two referee reports of 800 to 1500 words each, instead of the midterm. The requirement of the portfolio will be posted later in the course. The portfolio is due at the beginning of the first class of week 12. **No late** submission will be accepted.

Note: Please contact me no later than the actual exam day about missing midterm exam.

Class participation: Attendance will be taken and will be marked as 0.5 point each (by deduction).

Assignments: There will be no more than four assignments. **No late** assignments will be accepted. Any assignment handed in after I start class on the day it is due is considered late. Students are expected to finish the assignment by themselves. Cheating, such as, copying from another student's assignment or permitting another student to copy from your assignment will result in a "0" for that assignment for all involved students.

Tentative Schedule (subject to update):

Week	Date	Topics and Activities	Chapters in Romer
1	10-Sep	Math Review	
2	17-Sep	Introduction and Solow Growth Model	1
3	24-Sep	Dynamics of Solow Growth Model	1
4	1-Oct	Empirical Applications of Solow Growth Model	1
5	8-Oct	**Midterm**	
6	15-Oct	Ramsay-Cass-Koopmans Model (RA model)	2
7	22-Oct	Overlapping Generation Model	2
8	29-Oct	Endogenous Growth – R&D	3
9	5-Nov	Learning-by-doing	3
10	12-Nov	Cross-country Income Differences	3 or 4
11	19-Nov	Real-Business-Cycle Theory	4 or 5
12	26-Nov	Unemployment and Search Model	9 or 10
13	3-Dec	Consumption and Savings	7 or 8
14	10-Dec	**Final Exam**	

Reading List

1. Introduction to Growth Facts and Growth Models

Solow, R.M. (1956), "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics* 70, 65-94.

2. The Neoclassical Growth Model

Ljungqvist & Sargent, Chpt. 14 (pgs. 449-454)

Mankiw, N.G., D. Romer, and D. Weil (1992), "A Contribution to the Empirics of Economic Growth," *Quarterly Journal of Economics* 107, 401-437.

3. Overlapping Generations

Barro, R.J (1974), "Are Government Bonds Net Wealth?" *Journal of Political Economy* 82, 1095-1117.

Diamond, P. (1965), "National Debt in a Neoclassical Growth Model," *American Economic Review* 55, 1126-1150.

Blanchard, O. (1985), "Debt, Deficits and Finite Horizons," *Journal of Political Economy* 93, 223-247.

4. Endogenous Growth: Externalities, R&D, Innovation

Ljungqvist & Sargent, Chpt. 14 (pgs. 455-472)

Romer, P. M. (1986), "Increasing Returns and Long-Run Growth," *Journal of Political Economy* 94, S1002-S1037.

Lucas, R.E., Jr. (1988), "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22, 3-42.

Romer, P.M. (1990), "Endogenous Technological Change," *Journal of Political Economy* 98, S71-102.

Romer (1994), "The Origins of Endogenous Growth"

Lucas, R.E., Jr. (1993), "Making a Miracle," *Econometrica* 61, 251-272.

Aghion, P., and P. Howitt (1992), "A Model of Growth Through Creative Destruction," *Econometrica* 60, 323-351.

5. Real Business Cycles

Kydland, F., and Prescott, E. C. (1982), "Time to Build and Aggregate Fluctuations," *Econometrica* 50, 1345-1370.

Lucas, R.E. Jr. (1975), "An Equilibrium Model of the Business Cycle," *Journal of Political Economy* 81, 1113-1144.

Barro, R. (1998), *Macroeconomics*, chapter 9, MIT Press.

Prescott, E. C. (1986), "Theory Ahead of Business Cycle Measurement," *Quarterly Review*, Federal Reserve Bank of Minneapolis, 9-22.

Lucas, R.E. Jr. (1987), *Models of Business Cycles*, Oxford: Basil Blackwell.

6. Unemployment

Ljungqvist & Sargent, Chpt. 6 (pgs. 139-158)

Shapiro, C. and J. Stiglitz (1984), "Equilibrium Unemployment as a Worker Discipline Device", *American Economic Review* 74, 433-444.

Diamond, P. (1982), "Aggregate Demand Management in Search Equilibrium," *Journal of Political Economy* 90, 881-894.

7. Consumption and Savings

Hall, R.E. (1978), "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence," *Journal of Political Economy* 86, 971-987.