

Department of Economics
502 ECO Macroeconomic Theory
MSc, Level 2
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This course is a survey of modern macroeconomics at a quite advanced level. Topics include the neoclassical growth model, overlapping generations, endogenous growth models, business cycles, incomplete nominal adjustment, incomplete financial markets, fiscal and monetary policy, consumption and savings, and unemployment. The course is also gives an introduction to the mathematical tools used in modern macroeconomics, including dynamic systems, optimal control, and dynamic programming.

The main text for the course is

David Romer, *Advanced Macroeconomics*, 2nd Edition (New York: McGraw Hill, 2001).

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

This course is a communications intensive subject. Assignments include six problem sets (approximately one every second week) and one Essay. The problem sets will count for a total of 20% of the final grade. The Essay will count for 30%. There will also be a midterm and a final examination, which will count for 25% of the grade each.

LEC #	TOPICS	READINGS
1	Introduction to Growth Facts and Growth Models	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 1. ISBN: 0072318554.</p> <p>Solow, R. M. "A Contribution to the Theory of Economic Growth." <i>Quarterly Journal of Economics</i> 70 (1956): 65-94.</p> <p><i>Recommended Readings</i></p> <p>Barro, R. J., and X. Sala-i-Martin. <i>Economic Growth</i>. 1995, chap. 1 and 12.</p>
2	The Neoclassical Growth Model	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 2. ISBN: 0072318554.</p> <p>Mankiw, N. G., D. Romer, and D. Weil. "A</p>

		<p>Contribution to the Empirics of Economic Growth." <i>Quarterly Journal of Economics</i> 107 (1992): 401-437.</p> <p><i>Recommended Readings</i></p> <p>Barro, R. J., and X. Sala-i-Martin. <i>Economic Growth</i>. 1995, chap. 2 and 3.</p> <p>Blanchard, O., and S. Fischer. <i>Lectures on Macroeconomics</i>. 1989, chap. 3.</p>
3	Overlapping Generations	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 2. ISBN: 0072318554.</p> <p>Barro, R. J. "Are Government Bonds Net Wealth?" <i>Journal of Political Economy</i> 82 (1974): 1095-1117.</p> <p>Diamond, P. "National Debt in a Neoclassical Growth Model." <i>American Economic Review</i> 55 (1965): 1126-1150.</p> <p><i>Recommended Readings</i></p> <p>Blanchard, O. "Debt, Deficits and Finite Horizons." <i>Journal of Political Economy</i> 93 (1985): 223-247.</p>
4	Applications: Fluctuations, Investment, Asset Pricing, Public Finance, Behavioral	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 7 and 8. ISBN: 0072318554.</p> <p>Barro, R. J., "On the Determination of the Public Debt." <i>Journal of Political Economy</i> 87 (1979): 940-71.</p> <p><i>Recommended Readings</i></p> <p>Barro, R. "Ramsey Meets Laibson in the Neoclassical Growth Model." <i>Quarterly Journal of Economics</i> 114 (1999): 1125-1152.</p> <p>Laibson, D. "Golden Eggs and Hyperbolic Discounting." <i>Quarterly Journal of Economics</i> 112 (1997): 443-478.</p> <p>Lucas, R. E, Jr. "Asset Prices in an Exchange Economy." <i>Econometrica</i> 46 (1978): 1429-1445.</p>

5	Endogenous Growth: Externalities, R&D, Innovation	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap 3. ISBN: 0072318554.</p> <p>Romer, P. M. "Increasing Returns and Long-Run Growth." <i>Journal of Political Economy</i> 94 (1986): S1002-S1037.</p> <p>Lucas, R. E., Jr. "On the Mechanics of Economic Development." <i>Journal of Monetary Economics</i> 22 (1988): 3-42.</p> <p>Romer, P. M. "Endogenous Technological Change." <i>Journal of Political Economy</i> 98 (1990): 71-102.</p> <p><i>Recommended Readings</i></p> <p>Barro, R. J., and X. Sala-i-Martin. <i>Economic Growth</i>. 1995, chap. 4-7.</p> <p>Lucas, R. E., Jr. "Making a Miracle." <i>Econometrica</i> 61 (1993): 251-272.</p> <p>Aghion, P., and P. Howitt. "A Model of Growth Through Creative Destruction." <i>Econometrica</i> 60 (1992): 323-351.</p>
6	Real Business Cycles	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 4. ISBN: 0072318554.</p> <p>Kydland, F., and Prescott, E. C. "Time to Build and Aggregate Fluctuations." <i>Econometrica</i> 50 (1982): 1345-1370.</p> <p>Lucas, R. E., Jr. "An Equilibrium Model of the Business Cycle." <i>Journal of Political Economy</i> 81 (1975): 1113-1144.</p> <p><i>Recommended Readings</i></p> <p>Barro, R. <i>Macroeconomics</i>. Chap. 9. MIT Press, 1998. ISBN: 0262024365.</p> <p>Prescott, E. C. "Theory Ahead of Business Cycle Measurement." <i>Quarterly Review, Federal Reserve Bank of Minneapolis</i>. 1986, pp. 9-22.</p>

		Lucas, R. E., Jr. <i>Models of Business Cycles</i> . Oxford: Basil Blackwell, 1987.
7	The IS-LM Model	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 5. ISBN: 0072318554.</p> <p><i>Recommended Readings</i></p> <p>Blanchard, O. "Why Does Money Affect Output? A Survey." In <i>Handbook of Monetary Economics</i>. Edited by B. Friedman and F. Hahn. North Holland: 1990, pp. 779-835.</p>
8	Incomplete Nominal Adjustment	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 6. ISBN: 0072318554.</p> <p>Mankiw, N. G. "Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly." <i>Quarterly Journal of Economics</i> 100 (1985): 529-539.</p> <p><i>Recommended Readings</i></p> <p>Calvo, G. "Staggered Prices in a Utility-Maximizing Framework." <i>Journal of Monetary Economics</i> 12 (1983): 383-398.</p>
9	Incomplete Financial Markets	<p><i>Required Readings</i></p> <p>Obstfeld, M. "Risk-Taking, Global Diversification, and Growth." <i>American Economic Review</i> 84 (1994): 1310-1329.</p> <p>Bernanke, B., and M. Gertler. "Agency Costs, Collateral, and Business Fluctuations." <i>American Economic Review</i> 79 (1989): 87-114.</p> <p><i>Recommended Readings</i></p> <p>Greenwood, J., and B. Jovanovic. "Financial Development, Growth, and the Distribution of Income." <i>Journal of Political Economy</i> 98 (1990): 219-240.</p> <p>Banarjee, A., and A. Newman. "Occupational Choice in the Process of Development." <i>Journal of Political Economy</i> 101 (1993): 274-298.</p>

10	Unemployment	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 9 and 10. ISBN: 0072318554.</p> <p>Shapiro, C. and J. Stiglitz. "Equilibrium Unemployment as a Worker Discipline Device." <i>American Economic Review</i> 74 (1984): 433-444.</p> <p><i>Recommended Readings</i></p> <p>Diamond, P. "Aggregate Demand Management in Search Equilibrium." <i>Journal of Political Economy</i> 90 (1982): 881-894.</p>
11	Consumption and Savings	<p><i>Required Readings</i></p> <p>Romer, D. <i>Advanced Macroeconomics</i>. 2001, chap. 7. ISBN: 0072318554.</p> <p><i>Recommended Readings</i></p> <p>Hall, R. E. "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence." <i>Journal of Political Economy</i> 86 (1978): 971-987.</p>