

MACROECONOMICS II

Economics 7715
Spring 2009

Instructor: Bulent Unel
Class time: Tu-Th 1:30-3:00pm
Classroom: 3142 TAYLOR
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Course Description

This course is intended to help students to understand important macroeconomic issues such as economic growth and business cycles at an advanced level. It also introduces students to important mathematical techniques (such as continuous time optimization, dynamic programming, and dynamical systems), which are commonly used in research.

The main textbook is *Advanced Macroeconomics*, by David Romer, 3rd edition. When covering mathematical techniques, I will use my lecture notes. Additionally, I have listed several journal articles that provide more depth on particular topics. Most of the journal articles are available electronically from the JSTOR. Course materials (such as lecture notes, articles, problem sets, and their solutions) will be posted on the course site on Moodle.

Some excellent references for further study of topics treated in the course are *Macroeconomic Theory*, by Michael Wickens; *Recursive Macroeconomic Theory*, by Lars Ljungqvist and Thomas J. Sargent, 2nd edition; and *Economic Growth*, by Robert J. Barro and Xavier Sala-i-Martin, 2nd edition. The last one provides a comprehensive treatment of economic growth. At a more introductory level, *Economic Growth* by David N. Weil is an excellent text on growth.

Exams and Homework

There will be a midterm and a final exam. The midterm will be on Thursday, March 5 and the final exam will cover the entire course and will be given on Thursday, May 7 (Exam Time: 12:30-2:30pm). The midterm date is tentative, depending on our pace in the course, I may change it in future. Each exam will be 40% of your overall grade. The remaining 20% comes from your homework assignments.

There will be 5 problem sets. You should submit your own solutions (cheating will be treated very seriously). Your solutions will be graded on a scale of check plus (10), check (7), check minus (4), or zero. Problem sets have to be handed in class on due date. Late homework will not be accepted.

COURSE OUTLINE

Starred (*) readings are required and the others are useful references.

1. Economic Growth

1.A. Facts to Be Explained

*Weil, David N. *Economic Growth*, Chapter 1.

Barro, Robert J. and Xavier Sala-i-Martin. 2004. *Economic Growth*, Introduction.

1.B. Solow Model

*Romer, David. 2006. *Advanced Macroeconomics*, Chapter 1.

*Lecture notes on dynamical systems. These will be posted on Blackboard site.

Barro, Robert J. and Xavier Sala-i-Martin. 2004. *Economic Growth*, Chapter 1.

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

1.C. The Empirics of Economic Growth

*Romer, David. 2006. *Advanced Macroeconomics*, Sections 1.6, 1.7, 3.8, and 3.9 in Chapters 1 and 3.

*Lecture notes on the Empirics of Economic Growth.

Barro, Robert J. and Xavier Sala-i-Martin. 2004. *Economic Growth*, Chapters 10 and 12.

Baumol, William. 1986. "*Productivity Growth, Convergence, and Welfare*," American Economic Review, 76:1072-85.

DeLong, J. Bradford. 1988. "*Productivity Growth, Convergence, and Welfare: Comment*," American Economic Review, 78:1138-54.

Mankiw, Gregory N., David Romer, and David N. Weil. 1992. "*A Contribution to the Empirics of Economic Growth*," Quarterly Journal of Economics, 107:407-37.

Klenow, Peter J. and Andres Rodriguez-Clare. 1997. "*The Neoclassical Revival in Growth Economics: Has It Gone Too Far?*" NBER Macroeconomics Annual, 12:73-103.

Hall, Robert E. and Charles I. Jones. 1999. "*Why Do Some Countries Produce So Much More Output per Worker than Others*," Quarterly Journal of Economics, 114:83-116.

1.D. Ramsey Model

*Romer, David. 2006. *Advanced Macroeconomics*, Part 2.A in Chapter 2

*Lecture notes on the Ramsey model and dynamic optimization.

Barro, Robert J. and Xavier Sala-i-Martin. 2004. *Economic Growth*, Chapter 2.

1.E. Overlapping-Generations Model

*Romer, David. 2006. *Advanced Macroeconomics*, Part 2.B in Chapter 2

*Lecture notes on the OLG Models.

1.F. Endogenous Growth Models

*Romer, David. 2006. *Advanced Macroeconomics*, Part 3.A in Chapter 3.

*Lecture notes on the Product Innovation Endogenous Growth Model.

Barro, Robert J. and Xavier Sala-i-Martin. 2004. *Economic Growth*, Chapters 6 and 7.

Romer Paul M. 1990. “*Endogenous Technical Change*,” *Journal of Political Economy*, 98:S71-S102.

Grossman, Gene M. and Elhanan Helpman. 1991. “*Quality Leaders in the Theory of Growth*,” *Review of Economic Studies*, 58:43-61.

Aghion, Philippe and Peter Howitt. 1992. “*A Model of Growth Through Creative Destruction*,” *Econometrica*, 60:323-51.

Jones, Charles I. 1995. “*Time Series Tests of Endogenous Growth Models*,” *Quarterly Journal of Economics*, 110:495-525.

Jones, Charles I. 1995. “*R&D-Based Models of Economic Growth*,” *Journal of Political Economy*, 103:759-784.

2. Real Business Cycle (RBC) Theory

*Romer, David. 2006. *Advanced Macroeconomics*, Chapter 4

*Lecture notes on the RBC theory.

Kydland, Finn E. and Prescott, Edward C. 1982. “*Time to Build and Aggregate Fluctuations*,” *Econometrica*, 50:1345-70.

Prescott, Edward C. 1986. “*Theory Ahead of Business-Cycle Measurement*,” Federal Reserve bank of Minneapolis Quarterly Review, 10:1-22.

Summers, Lawrence H. 1986. “*Some Skeptical Observations on Real Business-Cycle Theory*,” Federal Reserve bank of Minneapolis Quarterly Review, 10:23-27.

Mankiw, N. Gregory 1989. “*Real Business Cycles: A New Keynesian Perspective*,” *Journal of Economic Perspective*, 3:79-90.

Campbell, John Y. 1994. “*Inspecting the Mechanism: An Analytical Approach to the Stochastic Growth Model*,” *Journal of Monetary Economics*, 33:463-506.