ECON 200A: ADVANCED MACROECONOMIC THEORY

Class Information
Spring 2009 Session: Tu 5:30 pm – 8:20pm, Amador Hall 240
Lecture Dates: Jan. 25, 2009 – May 14, 2009

Professor
Esen Onur
Office: Tahoe 3021
Office Phone: 916-278-7062
Email Address: eonur@csus.edu
Office Hours: MW 2:00pm – 3:30pm or email to make an appointment

Catalog Description:
Theories of the determinants of aggregate income, employment and prices. May be taken independently of ECON 200B. **Prerequisite:** ECON 141 and ECON 200M. 3 units.

Learning Objectives:
Materials covered in this course are at an advanced level and build upon a good grasp of intermediate macroeconomics. You will learn about models that will help us understand the microfoundations of macroeconomics, the rational individual decisions that underlie the macroeconomic phenomena we observe in our daily lives. You will learn about:

1. how to build an simple general equilibrium model with household and business sector decisions
2. how to incorporate uncertainty and expectations into macroeconomic models
3. the importance of long run growth among nations
4. how individuals make intertemporal consumption and saving decisions

Required Text:
Personal RePEc Archive (http://mpra.ub.uni-muenchen.de/6403/)

Supplemental Text:

Grading:
Problem Sets: 20%
Presentation and report: 10%
Midterms: 20%
Final Exam: 30%
Actual letter grade you earn in this course will be based on a grading scale to be
determined after the final exam. This scale will probably not resemble the 10-point
scale many of you are used to (e.g., 90-100% is some sort of A, 80-89% is some sort of
B, etc…) because I reserve the right to curve. I will provide more information
throughout the semester about how to interpret your homework and exam scores. Also
note that there is no class on the exam day. All exams are in-class.

Other Important Information:

Problem Sets:

There will be about 6 problem sets given out in this class. Problem sets will require a
good amount of your time and effort to complete. I encourage group study and working
on the problem sets with other students in the class as long as everyone turns in their own
original work. Problem sets are essential for success in this class.

Exams:

There will be two midterms and one final exam. The midterms will be on February 23rd
and on April 13th. Midterms will be held in class during scheduled class time. The
comprehensive final exam will be on Tuesday, May 18th from 5:15pm to 7:15pm. If
you miss a midterm due to a legitimate reason (illness documented by a doctor, family
emergency such as loss of a family member, university related travel, etc..) and if you
notify me of that fact 24 hours prior to the exam, the weight of that midterm will be
added to the weight of your final exam. I will not give out any make-up midterms and
you can not miss the final exam.
Also note that you have one week after the return of your graded midterm to appeal for a
grade change. I will only entertain appeals if they are due to a technical problem related
to your midterm.

Presentations and Report:

Every student will be required to present a research paper from an academic journal (or a
working paper) and write a report about it. The presentations will take place in the last
two weeks of class and the report will be due the last day of classes. You are free to
choose any paper that you find interesting as long as it is not an assigned reading for the
class. The only criteria are that the paper you present will be about macroeconomics and
it be a true research paper (not an article from The Economist for example).
One of the differences between undergraduate and graduate education is that students at
the graduate level should be able to read and understand the cutting-edge research in
economics. This is only possible by following the research published in peer-reviewed
journals. During the presentation, you will show the class that you have read this
interesting research, understood what it is trying to say, and now you are summarizing it
to us in 10 minutes. In the report, you will do a similar task in a few pages but you will
also be asked to criticize the research you are presenting. You will be asked to pick the
paper you want to present after spring break and you will send it to me for approval. I
will give you more details about the presentation and the report after the first midterm.
Advice:

Every student in class has a different level of academic preparedness for this class or for graduate studies in general. On top of that, activities outside the classroom might also be very taxing on your time. I plan to make some general remarks in terms of how to succeed in this class and it is up to you to follow my advice or not. Here is my general advice for doing well in a class is as follows:

*Spend time on homeworks.* Homeworks will be an excellent source for you to practice for exams. It is very important that you spend a lot of time thinking about and attempting each homework question. This is the best way to learn this material because for many of you, the models we will cover will not be very intuitive.

*Work in groups.* Best way to test whether you have learned a material is to try to teach it to someone else. Working in groups allows you to figure out which parts of the material you may need to pay more attention to. Group study is useful but make sure you do (and turn in) your own work.

*Get your hands dirty.* Do not assume that you can learn how to solve a problem or how to draw a graph by just watching me do it on the board. Get your hands dirty and make sure you work out those problems by yourself and that you draw those graphs perfectly. Setting aside time to solve extra questions (not just looking at their answers) is also useful.

*Be proactive.* When you begin to feel lost, contact me. Come talk to me after class, stop by my office or simply send me an email. This is a crowded class and I can’t always detect who is feeling lost and who is not. I can only help you if you ask for it.

And finally,

*Do not cheat.* Neither of us wants to have to deal with this situation. If you cheat, I will assume you know zero and that is precisely the grade you will get.

---

Tentative Course Outline:

1. *Introduction*
   - Course overview and going over the syllabus

2. *Remembering the Solow Growth Model* (Handout)
   - The Solow Growth Model
   - The idea of Convergence

3. *Output and Employment* (Chp 2)
   - General Equilibrium in a static income-leisure model.
   - Analyzing the business cycles.

---

1 I reserve the right to change the order or the content of this outline at anytime throughout the semester. Also, all chapters are from Andolfatto unless mentioned otherwise.
4. *Uncertainty and Expectations* (Chp 3)
   - Decision making under uncertainty.
   - Rational and irrational expectations.
   - Dealing with multiple equilibria.

5. *Unemployment* (Chp 4)
   - Labor market flows and government insurance policies.
   - Modeling unemployment.

6. *Consumption and Saving* (Chp 5)
   - A two-period endowment model with intertemporal budget constraint
   - International borrowing and lending

7. *Fiscal Policy* (Chp 6)
   - Government spending and taxation in a static model
   - Lump-sum versus discretionary taxation
   - Government deficits in a two-period model
   - The Ricardian Equivalence

8. *Capital and Investment* (Chp 7)
   - A small open economy model with saving and investment
   - Closed economy analysis and the determination of the real rate of interest

9. *Money and Inflation* (Chp 8)
   - A Simple overlapping generations model
   - Money neutrality, inflation and seigniorage
   - A simple model of money and banking.