



CALIFORNIA STATE UNIVERSITY, SACRAMENTO  
DEPARTMENT OF ECONOMICS

**ECON 200A Advanced Macroeconomic Theory**  
Spring 2008

Instructor: Kristin Van Gaasbeck Office Hours: Mon. 3:30-5p.m., Wed. 4-5:30p.m.  
E-mail: [kavan@csus.edu](mailto:kavan@csus.edu) or by appointment  
Class web page: [www.csus.edu/indiv/v/vangaasbeckk/courses/200a](http://www.csus.edu/indiv/v/vangaasbeckk/courses/200a) Office: Tahoe Hall 3015 (278-6194)

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**General Information**

Lecture: M 5:30-8:20pm Call Number: 31262  
Prerequisites: ECON 141 and 200M Section: 01

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**Catalog Description**

Theories of the determinants of aggregate income, employment and prices. May be taken independently of ECON 200B. 3 units.

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**Scope and Objectives**

Macroeconomics is the study of the economy as a whole. It deals with important questions about economic growth, business cycles, and economic policy. This course is an introduction to the study of macroeconomics at an advanced level. During this semester, we will review the fundamental models from your undergraduate economics classes, examine new developments in macroeconomics, and apply these theories (old and new) to the data.

Macroeconomics as a field can be separated into two broad areas: (i) economic growth theory (long run) and (ii) theories of economic fluctuations (short run). This course will be divided according to these areas, while incorporating empirical analysis in evaluating and applying the models. In order to do empirical work in macroeconomics, it is essential to understand the measurement of key aggregate variables like GDP, inflation, and unemployment.

You are expected to have a working knowledge of intermediate macroeconomics (ECON 100A), calculus (MATH 26A and ECON 200M), and econometrics (ECON 141) before coming into this course. The readings and notes for this course rely heavily on multivariate and differential calculus, econometrics, and detailed knowledge of intermediate macroeconomic theory. If it has been some time since you've taken these courses, then please be prepared to give yourself more time to review this material before attempting assignments and other work.

The goal of this course is to provide both an overview of the field students who will not continue in macroeconomics and a starting point for those who plan to study macroeconomics and monetary economics in more depth. The majority of you will go on to do an empirical thesis or project. The sooner you begin applying the skills you acquired in ECON 141/200M, the better prepared you will be to read research articles in your field courses and to do your own research. In addition to gaining general knowledge of the macroeconomy, you will acquire basic quantitative skills essential in your future economic classes and research.

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**Grading**

The course grades will be distributed according to the following weighting scheme:

20% Exam #1 Monday, March 10<sup>th</sup>  
25% Exam #2 Monday, May 19<sup>th</sup>  
15% Empirical project Draft: Monday, April 14<sup>th</sup>; Final: Thursday, May 8<sup>th</sup> @ 5pm  
40% Six assignments (lowest dropped, 8% each)

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## Resources

### Required textbooks: (theory)

- Jones, C. (2002). *Introduction to Economic Growth* (2<sup>nd</sup> ed.)
- Romer, D. (2005). *Advanced Macroeconomics* (3<sup>rd</sup> ed.)

The majority of the lecture material will be drawn from these two texts. There is no M.A.-level textbook in macroeconomics, this is why the course material draws on content from several different sources. I will supplement the more difficult content in Romer with reading guides. During the semester, research articles will be assigned to complement this material.

### Other required books: (empirical analysis and research)

- Greenlaw, S. (2006). *Doing Economics: A Guide to Understanding and Carrying Out Economics Research*.

An undergraduate-level econometrics textbook (e.g., Studenmund, 2006).

These books are excellent resources for empirical work in the course. You will not have specific assigned readings for Greenlaw (2006), but you should read this handbook throughout the semester and use it as a guide for your empirical project.

### Background resources: (recommended)

- Mankiw, N.G. (2003). *Macroeconomics* (5<sup>th</sup> ed.) OR Jones, C. (2008). *Macroeconomics*  
Since intermediate macro (ECON 100A) is a prerequisite for this course, it is expected that you are familiar the majority of this material. If you have another intermediate macro book, feel free to use it in lieu of these. Mankiw (2003)/Jones (2008) readings will be assigned as background. This will help simplify more difficult concepts in Jones (2002) and Romer (2005). If you are buying a new textbook for this purpose, Jones (2008) is a more modern intermediate macro text with more empirical applications that will prove useful later on.
  - Chiang, A. and Wainwright, K. (2005). *Fundamental Methods of Mathematical Economics* (4<sup>th</sup> ed.) This is the required textbook for ECON 200M. You may find the need to refer back to this text in solving mathematical problems. Many of the applications in this text are similar to those used in Jones (2002) and Romer (2005). Some chapters from Chiang and Wainwright (2005) may be assigned as background reading before tackling more challenging material. If you don't have a copy of Chiang and Wainwright (2005), another good math-econ reference is Simon and Blume (1994).
  - Studenmund, A.H. (2006). *Using Econometrics: A Practical Guide* (5<sup>th</sup> ed.)  
This is an excellent reference that provides practical information on how to implement econometric analysis. Moreover, the regression output in the text are from EViews. If you used another econometrics textbook, then that one should be sufficient for ECON 200A. A more advanced text, often used in ECON 241, is Stock and Watson (2006).
  - *EViews 6.0* (Standard Version), QMS Software  
We will be conducting empirical analysis using EViews. This software is available during class time and in the computer lab (Mariposa 1011). If you want to work on assignments at home, you will need to purchase your own copy (\$160 + \$10 shipping). The *User's Guide* and *Command and Programming Reference* provide a good overview of statistical inference and regression analysis. Each provides a detailed account of the mechanics of performing these functions in EViews. This software will be used extensively in ECON 200C. Note: the Student Version of EViews lacks many of the features you may need.
  - McCloskey, D. (1999), *Economical Writing*. (2<sup>nd</sup> ed.)  
This short book discusses some broad guidelines and pointers for writing in economics. Some of your empirical assignments will require that you not only use statistical inference, but that you write up your results.
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## Policies

1. Academic honesty is expected. All students must adhere to the University Student Code of Conduct outlined in the *CSUS University Policy Manual*.
    - I encourage you to work together on assignments, but all work completed for a grade must be your own. If you have difficulty completing assignments, please begin them early and seek out my help during office hours (or make an appointment to see me).
    - For written assignments, if you have any questions regarding plagiarism and the appropriate way to credit sources, review the Policy Manual, or confer with the instructor or tutors in the Writing Center. Plagiarism on any assignments will result in a score of zero on the assignment/exam where cheating occurs. All cases of student misconduct will be reported to Student Judicial Affairs.
  2. Late assignments will receive a letter grade reduction in the maximum possible score for each business day they are late. You must provide an acceptable written excuse for work that you are unable to complete on time (e.g., a doctor's note or legal documentation).
  3. All written work must be proofread. You are responsible for editing your written work before submitted it for a grade.
  4. Attendance is expected. Please come to class on time. If you arrive late on the day of an exam, you will not be given extra time. Arriving late to class is not an excuse for submitting assignments late - assignments not submitted on time may be marked late.
  5. Keep cell phones and similar electronic devices turned off during class.
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## Course Outline

- I. Macroeconomics and Time Series Analysis
    - a. Macroeconomic Overview (Week 1)
      - (i) Measuring Macroeconomic Variables and National Income Accounting
      - (ii) Working with Economic Data
    - b. Introduction to Time Series Analysis (Week 2)
      - (i) Econometrics Primer
      - (ii) ARMA Processes and Trends
  - II. Economic Growth
    - a. Neoclassical Growth Model
      - (i) Basic Solow Growth Model (Week 3)
      - (ii) Extensions to the Solow Model (Week 3)
      - (iii) Diamond Model (Week 4)
    - b. Endogenous Growth Models (Weeks 5-6)

**Exam #1**
  - III. Economic Fluctuations
    - a. Real Business Cycle Theory (Week 8)
    - b. Other Models of Business Cycles
      - (i) IS/MP/AS Model (Weeks 9-10)
      - (ii) New Classical Approach (Week 11)
      - (iii) New Keynesian Approach (Week 12)
    - c. Unemployment and the Phillips Curve (Week 13)
  - IV. Consumption Theory (Week 14)
  - V. Special Topics (Week 15)
- Exam #2**
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## Detailed Course Outline

	<i>Topic</i>	<i>Background Reading</i>	<i>Required Reading</i>
Week 1	Course Overview & Syllabus Measuring Macroeconomic Variables Working with Economic Data	Mankiw, Ch. 1-3 & 19 Jones (2008), Ch. 1-2 & 8 Studenmund, Ch. 1-5 & 9 Chiang, Ch. 1-2 & 10	Guide to Working with Economic Data (Hoover).
Week 2	Econometrics Primer ARMA Processes and Trends	Studenmund, Ch. 12 & 15	Jones (2002), Ch. 1
Week 3	Solow Growth Model and Extensions	Chiang, Ch. 9, 11 & 14 Mankiw, Ch. 7-8 Jones (2008), Ch. 3-5	Jones (2002), Ch. 2 & 9 + App. A Romer, Ch. 1
Week 4	Diamond Model Empirical Applications of the Neoclassical Growth Model	Chiang, Ch. 12 & 16 Studenmund, Ch. 6-7 & 11	Romer, Ch. 2, Part B Jones (2002), Ch. 3 Pritchett (1997) Olson (1996)
Week 5	Endogenous Growth Models I		Jones (2002), Ch. 4-6 Romer, Ch. 3 Romer, P. (1994)
Week 6	Endogenous Growth Models II Review		Jones (2002), Ch. 8 & 10
Week 7	<b>Exam #1</b> (5:30-7:30pm)		
Week 8	Economic Fluctuations (Data) RBC Approach	Mankiw, Ch. 9 & 19	Romer, Ch. 4 Plosser (1989) Franses, Ch. 5
Mar. 31 <sup>st</sup>	No Class – Spring Break		
Week 9	IS/MP/AS Model I	Chiang, Ch. 4-5	Romer, Ch. 5 Romer, D. (2006)
Week 10	IS/MP/AS Model II	Mankiw, Ch. 13-2	Lucas (1973) Snowdon & Vane (1997)
Week 11	Neoclassical Approach	Mankiw, Ch. 13-1	Romer, Ch. 6, Pt. A Mankiw (2006)
Week 12	New Keynesian Approach	Mankiw, Ch. 13-1	Romer, Ch. 6, Pt. B-C Mankiw (1985) Ball, Mankiw & Romer (1988)
Week 13	Unemployment and Real Rigidities	Mankiw, Ch. 6	Romer, Ch. 9, pg. 437-449 Yellen (1984) Blanchard & Katz (1997)
Week 14	Consumption Theory	Mankiw, Ch. 16	Romer, Ch. 7 Hall (1978)
Week 15	Special Topics		To be determined
May 19 <sup>th</sup>	<b>Exam #2</b> (5:30-8p.m.)		

## References

Complete references by topic are available on the course web site.

### Required Books

- Greenlaw, S. (2006). *Doing economics: A guide to understanding and carrying out economic research*. Boston: Houghton Mifflin Company.
- Jones, C. (2002). *Introduction to economic growth* (2<sup>nd</sup> ed.). New York: W.W. Norton.
- Romer, D. (2006). *Advanced macroeconomics* (3<sup>rd</sup> ed.). Boston: McGraw-Hill.

### Background Reading

- Chiang, A. and Wainwright, K. (2005). *Fundamental Methods of Mathematical Economics* (4<sup>th</sup> ed.) Boston: Addison-Wesley.
- Hoover, K. (2005, March 24). *Applied intermediate macroeconomics*. Retrieved January 29, 2007 from <http://www.econ.duke.edu/~kdh9/>
- Jones, C. (2008). *Macroeconomics*. New York: W.W. Norton.
- Mankiw, N.G. (2003). *Macroeconomics* (5<sup>th</sup> ed.). New York: Worth Publishers.
- McCloskey, D. (1999). *Economical writing* (2<sup>nd</sup> ed.). Long Grove, IL: Waveland Press.
- Simon, C. & Blume, L. (1994). *Mathematics for economists*. New York: W.W. Norton.
- Stock, J. & Watson, M. (2006). *Introduction to econometrics* (2<sup>nd</sup> ed.). Boston: Addison-Wesley.
- Studenmund, A.H. (2006). *Using econometrics: A practical guide* (5<sup>th</sup> ed.). Boston: Addison-Wesley.

### Journal Articles and Manuscripts

- Ball, L., Mankiw, N.G., & Romer, D. (1988). The new Keynesian economics and the output-inflation trade-off. *Brookings Papers on Economic Activity*, 1988, 1-82.
- Blanchard, O. & Katz, L. (1997). What we know and do not know about the natural rate of unemployment. *Journal of Economic Perspectives*, 11(1), 51-72.
- Hall, R. (1978). Stochastic implications of the life cycle-permanent income hypothesis: Theory and evidence. *Journal of Political Economy*, 86, 971-987.
- Lucas, R. (1973). Some international evidence on output-inflation tradeoffs. *American Economic Review*, 63, 326-334.
- Mankiw, N.G. (1985). Small menu costs and large business cycles: A macroeconomic model. *Quarterly Journal of Economics*, 100, 526-538.
- Mankiw, N.G. (2006). The macroeconomist as a scientist and engineer. *Journal of Economic Perspectives*, 20(4), 29-46.
- Olson, M. (1996). Distinguished lecture on economics in government: Big bills left on the sidewalk: Why some nations are rich, and others poor. *Journal of Economic Perspectives*, 10(2), 3-24.
- Plosser, C. (1989). Understanding real business cycles. *Journal of Economic Perspectives*, 3(3), 51-77.
- Pritchett, L. (1997). Divergence, big time. *Journal of Economic Perspectives*, 11(3), 3-17.
- Romer, D. (2006, January). *Short-run fluctuations*. Retrieved January 29, 2007 from <http://elsa.berkeley.edu/~dromer/papers/text2006.pdf>
- Romer, P. (1994). The origins of endogenous growth. *Journal of Economic Perspectives*, 8(1), 3-22.
- Snowdon, B. & Vane, H.R. (1997). The development of modern macroeconomics: A rough guide. In B. Snowdon & H.R. Vane (Eds.), *A macroeconomics reader* (pp. 1-26). London: Routledge.
- Yellen, J. (1984). Efficiency wage models of unemployment. *American Economic Review*, 74, 200-205.