Macroeconomic Theory Part II

The purpose of this course is to continue building your foundation knowledge in the area of Macroeconomics. Here, we will concentrate on using simple economic models to generate time series that can be compared with those that we observe. We will concentrate on several questions:

1. What properties do those models have?
2. What types of time series do they generate?
3. What are the effects of various types of policy in those models?
4. What do these models say about what policy ‘should’ be?

Course Requirements

There will be 4 graded homework assignments, a midterm exam and a final exam. The problem sets will count 40% of your grade, the midterm will count 25% and the final will be the remaining 35%.

Office Hours

My office hours are Wednesdays from 3:30 to 5 pm. My office is 1108 Heller Hall, 624-4553, lej@econ.umn.edu.

Teaching Assistant

The TA for the course is Mikhail Goloslov. His email address is golosov@atlas.socsci.umn.edu. He will hold a discussion session each week.
Syllabus

Part I: Putting the Growth Model to Work: (approximately 2.5 weeks)

A. The Neoclassical Growth Model: Competitive Interpretation and the Time Series generated by the Solution

B. The Effects of Taxes in the Model

C. Optimal Taxation in the Exogenous Growth Model

D. The Reasons for Spending and Optimal Spending

E. Simple Versions of Monetary Policy and Optimal Monetary Policy

Readings:

A:


B and C:


**Part II:** Modeling the Trend: Endogenizing the Growth Rate (approximately 2.5 weeks)

A. Endogenous Growth and the Ak, and A(k,h) models

B. Taxation and Its Effects, Optimal Taxation

C. Monetary Policy and Its Effects, Optimal Monetary Policy

**Readings**

A:


A and B:


C:


**Part III.** Adding ‘Wiggles’ to the Time Series: Models with Uncertainty (approximately 2 weeks)

A. Competitive Models with Uncertainty with or without time

B. The Real Business Cycle Model: Exogenous and Endogenous Growth Versions
Readings:

B:

