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 these 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. Or if you can’t come at that time, email me and we can set up an appointment.

Teaching Assistant

The TA for the course is Eager, Yuzhe Zhang. His email address is zhangyz@econ.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: Aggregation and the Competitive Interpretation, 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 (time permitting)

E. Simple Versions of Monetary Policy and Optimal Monetary Policy (time permitting)

**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 (time permitting)

**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:


**Other Source Material for the Class:**

Nowadays, as you probably know, many people post their class notes on the web. There are several places out there where you can find differing versions. Two years ago, Stan Cho typed up a version of my class notes for this module and as we go through the mini, I will be trying to clean up Stanley’s notes to post on the web for you. They will be made available on my website as I get done with them. So look for them there. The addresses of mine, and others who have a similar teaching style/philosophy are:

1) Larry’s Class notes:  http://www.econ.umn.edu/~lej/lejteaching.html

2) Rody Manuelli, University of Wisconsin, (U Mn Phd), http://www.ssc.wisc.edu/~manuelli/


5) I’m sure you can find more....