

Program: Financial Economics Master's Program

Course title: Advanced Macroeconomics

Date of the course: March 16 – 31, 2009

Name of the lecturer: Dr Raimondas KUODIS

Prerequisites

Intermediate Macroeconomics (see, for example, Olivier Blanchard (2004), *Macroeconomics*, Prentice Hall (or *Makroekonomika*, 4th ed., Lithuanian edition), available at ISM library);

Elements of Mathematics for Economics (see, for example, Vassilis C. Mavron, Timothy N. Phillips (2007), *Elements of Mathematics for Economics and Finance*, Springer).

Course Description

This is the last course in the sequence in macroeconomics. Its purpose is to introduce the advanced models macroeconomists use to study economic growth, fluctuations, and macroeconomic policies.

Learning Outcomes

After successfully completing this course, students will:

- Be acquainted with and able to apply basic and general Solow model of economic growth, also the models of endogenous growth;
- Understand how efficiency wages, trade unions, product market competition and social welfare policies influence the structural unemployment;
- Be able to model consumption and investment, the most important factors behind the short-run economic fluctuations;
- Be able to filter (economic) time series, identify a business cycle and leading/lagging indicators;
- Have better understanding of the current macroeconomic policy debates.

Course Organization

The course is organized around 17 topics:

PART I. INTRODUCTION

1. MACROECONOMICS FOR THE LONG RUN AND THE SHORT RUN

PART II. THE LONG RUN: ECONOMIC GROWTH, LONG-RUN UNEMPLOYMENT AND STRUCTURAL ECONOMIC POLICY

2. SOME FACTS ABOUT PROSPERITY AND GROWTH

3. CAPITAL ACCUMULATION AND GROWTH: THE BASIC SOLOW MODEL

4. TECHNOLOGICAL PROGRESS AND GROWTH: THE GENERAL SOLOW MODEL
5. PRODUCTIVE EXTERNALITIES AND ENDOGENOUS GROWTH

PART III. STRUCTURAL UNEMPLOYMENT

6. SOME FACTS AND INTRODUCTORY THEORY ABOUT UNEMPLOYMENT
7. EFFICIENCY WAGES AND UNEMPLOYMENT
8. TRADE UNIONS AND UNEMPLOYMENT

PART IV. THE SHORT RUN: ECONOMIC FLUCTUATIONS, SHORT-RUN UNEMPLOYMENT AND STABILIZATION POLICY

9. THE ECONOMY IN THE SHORT RUN: FACTS ABOUT BUSINESS CYCLES
10. INVESTMENT AND ASSET PRICES
11. CONSUMPTION, INCOME AND WEALTH
12. MONETARY POLICY AND AGGREGATE DEMAND
13. INFLATION, UNEMPLOYMENT AND AGGREGATE SUPPLY

PART V. THE SHORT-RUN MODEL FOR THE CLOSED ECONOMY

14. BUSINESS CYCLES: AGGREGATE SUPPLY AND DEMAND IN ACTION
15. STABILIZATION POLICY: WHY AND HOW?
16. STABILIZATION POLICY WITH RATIONAL EXPECTATIONS
17. THE LIMITS TO STABILIZATION POLICY: CREDIBILITY, UNCERTAINTY AND TIME LAGS

Assessment

TASK TYPE	FINAL GRADE, %
Class attendance and participation	10
Presentation and final report	30
Final written exam (a closed test)	60

Literature

The main text:

Peter Birch Sorensen and Hans Jorgen Whitta-Jacobsen (2005), *Introducing Advanced Macroeconomics: Growth and Business Cycles*, Mc-Graw Hill.

Additional sources:

David Romer (2006), *Advanced Macroeconomics*, Mc-Graw Hill.

Heijdra, B.J., Van der Ploeg, F. (2002), *Foundations of Modern Macroeconomics*, Oxford University Press.

The website for this course is: <http://www.ekonomika.org/AdvMacro/index.html>