

Advanced Macroeconomics II

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M.Sc. in Economics
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Outline

The course covers advanced topics in dynamic macroeconomics. Departing from the benchmark models of complete and frictionless markets which are covered in the preceding course Advanced Macroeconomics I, this course emphasizes the role of heterogeneity and market incompleteness. The first part develops overlapping-generation models which are particularly useful for the analysis of social security, public debt, and asset bubbles in financial markets. The second part covers the implications of market incompleteness for inequality among heterogeneous households. The third part deals with search frictions in the labor market which are helpful to analyze unemployment and labor market dynamics.

Prerequisites

Advanced Macroeconomics I.

Lectures

Lectures take place on Mondays, 13:30–15:00 in room G530 (April 24 – July 17). Note that there will be no lecture on June 26. Instead, an alternative lecture class will be offered on July 10, 15:15–16:45 in G309.

Tutorials

Tutorials take place on Mondays, May 15, May 29, June 19, July 3, and July 17, 15:15–16:45 in room G309.

Grading

The course grade is based on the final exam (60%) and on (group) homework assignments (40%). Students are expected to submit all five assignments and be ready to present their solution approaches in the tutorials. Printouts of the assignments must be submitted on Mondays at the beginning of the lecture class at 13:30.

Course material

The course is based on material from different sources. Lecture presentation slides are available in ILIAS. Most topics can be found in one of the following books or lecture notes which are available in the library. Additional references will be mentioned in the lectures.

- [A] Acemoglu, D., Introduction to Modern Economic Growth, Princeton University Press, 2009.
- [Az] Azariadis, C., Intertemporal Macroeconomics, Blackwell, 1993.
- [DM] de la Croix, D. and P. Michel, A Theory of Economic Growth, Cambridge University Press, 2002.
- [F] Farmer, S., Macroeconomics of Self-Fulfilling Prophecies, MIT Press, 1999.
- [BF] Blanchard, O. and S. Fischer, Lectures on Macroeconomics, MIT Press, 1989.
- [K] Krueger, D., Macroeconomic Theory, Lecture Notes, 2012.
- [LS] Ljungqvist, L. and T. Sargent, Recursive Macroeconomic Theory, 3rd ed., MIT Press, 2012.
- [M] Miao, J., Economic Dynamics in Discrete Time, MIT Press, 2014.
- [P] Pissarides, C., Equilibrium Unemployment Theory, 2nd ed., MIT Press, 2000.
- [S] Shimer, R., Labor Markets and Business Cycles, Princeton University Press, 2010.
- [W] Williamson, S., Notes on Macroeconomic Theory, Lecture Notes 2006.

Schedule

1. Overlapping generations models

[LS] Ch. 9; [F] Ch. 6; [W] Ch. 10; [K] Ch. 8; [M] Ch. 16; [DM] Ch. 1

2. Overlapping generations and economic growth

[A] Ch. 9; [W] Ch. 2; [K] Ch. 8; [Az] Ch. 7; [BF] Ch. 3; [M] Ch. 16

3. Incomplete markets and wealth inequality

[LS] Ch. 17, 18; [A] Ch. 17.4; [K] Ch. 10; [M] Ch. 8, 17

4. Job search and unemployment

[LS] Ch. 6; [RSW]; [W], Ch. 7

5. Search and matching models of the labor market

[P] Ch. 1,2; [W], Ch. 7; [S]; [R] Ch. 10; [LS] Ch. 28; [M] Ch. 18