

Brigham Young University  
**Economics 581 – Advanced Macroeconomics**  
Section 1 Ref# 1615  
Fall Semester 2006

Instructor: Kerk L. Phillips  
Office: 166 FOB  
Telephone: 422-5928  
Email: kerk\_phillips@byu.edu  
Office Hours: TTh 9:30 – 10:30 a.m. 166 FOB  
and by appointment  
Lectures: TTh 12:05 - 1:20 p.m. 120 TMCB

This course builds a basic toolset for examining modern mathematical macroeconomic models. The emphasis is on dynamic modeling, which can be done with a variety of models. The roots of all serious macroeconomic models lie in microeconomic theory and we will spend a great deal of time developing these tools of “micro foundations” in a dynamic context. In addition to these modeling tools, macroeconomics relies on statistical tools from time-series econometrics. Econ 588 is not a prerequisite for this class, but we will draw extensively from the material you encountered in Econ 388.

Macroeconomics tackles three major areas of inquiry: economic growth, economic fluctuations, and monetary economics. In each case, however, the basic toolset is much the same and the issues are similar. We will introduce this basic toolset and look at the issues, particularly those concerning the role of government policy.

We will follow the textbook fairly closely for most of the course, though the chapters and topics will be addressed in a slightly different order than laid out in the text. After the Thanksgiving break, we will examine three sets of papers as case studies on how our tools can be applied.

Grading for the course will be based on weekly homework assignments, a short paper, and the final exam.

**Required Text:**

David Romer, *Advanced Macroeconomics*, 3<sup>rd</sup> edition, 2005. ISBN 0072877308 (hardcover), 0071181318 (paperback)

**Additional Readings:**

Phillips, "The Cyclical Behavior of Net Exports: Temporary vs Permanent Movements," Review of International Economics, vol. 4 (1996) pp. 79-89.

Grossman & Helpman, "Quality Ladders in the Theory of Growth," Review of Economic Studies, vol. 63 (1991) 43-61.

Hansen, "Indivisible Labor and the Business Cycle," Journal of Monetary Economics, vol. 16 (1985) pp. 309-27.

Grading will be on a curve with the following weights:

Homework 25%  
Short Paper 25%  
Final 50%

**Homework:**

Approximately one homework assignment per week will be due, though the schedule may vary from week to week. Your two lowest scores will be discarded. Homework is due at the beginning of class, so please come on time. I will try to design the homework as good preparation for the final.

**Short Paper:**

You should plan on writing a short paper for the class. You may choose to do a literature survey, an original econometrics study, or develop an original theory. While you may certainly examine policy, a position or policy paper alone will not be sufficient. You should plan on spending about as much time on the paper as you do on all the homework assignments collectively. To facilitate regular progress and, hopefully, a quality paper I will force you to make regular progress by requiring: 1) A one-page statement of topic and rough outline of the paper, due on or before **Thursday, Sep. 21<sup>st</sup>**; 2) A rough draft of the paper including preliminary results (for theory or econometrics papers) due on or before **Tuesday, Nov. 21<sup>st</sup>**; and a final draft due on or before the last day of class, **Thursday, Dec. 14<sup>th</sup>**.

**Final Exam:**

The final will be given on **Wednesday, Dec. 20<sup>th</sup>** between 11:00 a.m. and 2:00 p.m. in our regular classroom, 120 TMCB. The final will be closed book & closed notes. *No early or late finals will be given under any circumstances.* Make your end-of-semester travel, marriage & job interview plans accordingly.

Schedule of Topics

| Date  | Topic | Readings                                 | due                |
|-------|-------|--|--------------------|
| 9/5   | T     | Course Introduction                      |                    |
| 9/7   | Th    | Dynamic General Equilibrium Modeling     | Romer, Ch. 2       |
| 9/12  | T     | "  |                    |
| 9/14  | Th    | "  |                    |
| 9/19  | T     | The Consumer's Problem                   | Romer, Ch. 7       |
| 9/21  | Th    | "  | topic due          |
| 9/26  | T     | The Firm's Problem                       | Romer, Ch. 8       |
| 9/28  | Th    | "  |                    |
| 10/3  | T     | The Solow Growth Model                   | Romer, Ch. 1       |
| 10/5  | Th    | "  |                    |
| 10/10 | T     | New Growth Theory                        | Romer, Ch. 3       |
| 10/12 | Th    | "  |                    |
| 10/17 | T     | Real Business Cycle Theory               | Romer, Ch. 4       |
| 10/19 | Th    | "  |                    |
| 10/24 | T     | The Role of Government                   | Romer, Ch. 11      |
| 10/26 | Th    | "  |                    |
| 10/31 | T     | Keynesian Theories                       | Romer, Ch. 5       |
| 11/2  | Th    | "  |                    |
| 11/7  | T     | Incomplete Adjustment Models             | Romer, Ch. 6 A     |
| 11/9  | Th    | "  | Romer, Ch. 6 B     |
| 11/14 | T     | "  | Romer, Ch. 6 C     |
| 11/16 | Th    | Monetary Economics                       | Romer, Ch. 10      |
| 11/21 | T     | "  | draft due          |
| 11/23 | Th    | <b>No Class</b>                          |                    |
| 11/28 | T     | Modeling International Investment        | Phillips           |
| 11/30 | Th    | "  |                    |
| 12/5  | T     | Modeling Schumpeterian Growth            | Grossman & Helpman |
| 12/7  | Th    | "  |                    |
| 12/12 | T     | Modeling Unemployment                    | Hansen             |
| 12/14 | Th    | "  | paper due          |
| 12/20 | W     | <b>Final Exam in 120 TMCB at 11 a.m.</b> |                    |