

Brigham Young University
Economics 581 – Advanced Macroeconomics
Section 1 Ref# 1615
Fall Semester 2009

Instructor: Kerk L. Phillips
Office: 166 FOB
Telephone: 422-5928
Email: kerk_phillips@byu.edu
Office Hours: TBA and by appointment
Lectures: MW 11:00 – 12:15 170 FOB

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, 3 short papers, and the final exam.

Required Text:

David Romer, *Advanced Macroeconomics*, 3rd 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	20%
Review Paper	20%
Theory Paper	20%
Econometrics Paper	20%
Final	20%

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.

Review Paper:

You will need to write a 5-10 page review of a seminal paper in macroeconomics. I will supply a list of papers you from which you may choose. Grading will be based on style and quality of analysis.

Theory Paper:

You will need to also write a 5-10 page theory paper where you take one of the basic models we develop in class and work out the implications of an alteration you propose. I will supply you with a basic framework for two or three models from which you may choose. You will turn three copies of the paper. Two will be used for referee report. You should plan on writing two 1-2 page referee reports on papers submitted by other students. 90% of your grade will be based on the average grade from myself and your two referees. The remainder will be based on my assessment of your referee reports. Grading will be based on style, difficulty, and quality of analysis.

Econometric Paper:

You will need to write a 5-10 page econometric analysis of macroeconomic data. Your paper should use either estimation or simulation techniques to address an issue relevant to those discussed in our lectures. As with the theory paper there will be a referee process and the grading scheme will be similar.

Final Exam:

The final will be given on **Tuesday, December 18th** between 7:00 a.m. and 10:00 a.m. in our regular classroom, 160 MCKB. The final will be open book & open 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
8/31	M	Course Introduction
9/2	W	The Solow Growth Model Romer, Ch. 1
9/7	M	Labor Day Holiday
9/9	W	The Solow Growth Model
9/14	M	Dynamic General Equilibrium Modeling Romer, Ch. 2
9/16	W	“
9/21	M	“
9/23	W	New Growth Theory Romer, Ch. 3
9/28	M	“
9/30	W	The Consumer’s Problem Romer, Ch. 7
10/5	M	“
10/7	W	Real Business Cycle Theory Romer, Ch. 4
10/12	M	“
10/14	W	Keynesian Theories Romer, Ch. 5
10/19	M	“
10/21	W	Incomplete Adjustment Models Romer, Ch. 6 A
10/26	M	“ Romer, Ch. 6 B
10/28	W	“ Romer, Ch. 6 C
11/2	M	Monetary Economics Romer, Ch. 10
11/4	W	“
11/9	M	The Role of Government Romer, Ch. 11
11/11	W	“
11/16	M	“
11/18	W	Modeling International Investment Phillips
11/23	M	“
11/25	W	Thanksgiving Holiday
11/30	M	Modeling Schumpeterian Growth Grossman & Helpman
12/2	W	“
12/7	M	Modeling Unemployment Hansen
12/9	W	“
12/16	W	Final Exam in 170 FOB at 2:30 p.m.