

## COURSE SYLLABUS

# MACROECONOMIC THEORY I

### **Instructor**

Eyno Rots

Department of Economics

Central European University

Fall 2014

MA program, 1<sup>st</sup> year

5 Credits (10 ECTS Credits)

Pre-requisites: calculus, some background in undergraduate macroeconomics is desirable

Course e-learning site: TBA

Office hours: TBA

Teaching Assistant: Franklin Maduko (maduko\_franklin@ceu-budapest.edu)

### **Course Description**

Macroeconomic Theory I is the first part of a two-part core sequence that is compulsory for all first-year students for MA in Economics. It introduces the students to fundamental blocks of modern macroeconomics. The course provides the students with graduate-level theoretical tools and discusses their application to empirical evidence. The key topics include economic growth, consumption and saving, investment, and labor and unemployment.

### **Learning Outcomes**

The goal of this course is to learn about key macroeconomic theories and their applications. By the end of the course, the students should learn to

- Construct and critique some key macroeconomic theoretical models and modeling techniques;
- Use these theoretical models to explain certain features of empirical evidence and understand the discourse of the modern macroeconomic literature;

### **Course Requirements**

- (1) Homework (20% of the final grade). There will be between 4 and 6 problem sets assigned during the course. The students are allowed to work together on their homework; however, everyone must submit their own copy of the solution.
- (2) Midterm (30% of the final grade). There will be a midterm exam (currently scheduled on November, 3); it should help students evaluate their progress and adjust their learning process.
- (3) Final exam (50% of the final grade). The final exam (currently scheduled on December, 17) will be cumulative, i.e. it will cover the entire course.

## Course Readings

- Throughout the course, I will refer to the following book:  
David Romer, *Advanced Macroeconomics*,  
McGraw-Hill Irwin, Third Edition.  
It is fine to use a different edition.
- The following supplementary text is not required:  
Andrew Abel, Ben Bernanke, and Dean Croushore, *Macroeconomics*,  
Addison Wesley, Sixth Edition.  
It is helpful to students who would like to refresh their memories of  
undergraduate macroeconomics or who have never taken macro before. It is far  
less technical and more intuitive.
- Reading material includes original research articles which will be posted online.
- You will also be provided with lecture notes.

## COURSE SCHEDULE

Please note that this is a tentative outline that may change as the course progresses.

### **24 Sep – 30 Sep (2 Lectures). Introduction.**

Course overview; IS-LM model.  
Reading: Romer Ch. 5.1

### **3 Oct – 28 Oct (7 Lectures). Long-run growth.**

Production function, the Solow Growth Model, growth accounting, convergence,  
refresher on regression analysis, growth empirics, endogenous growth.  
Reading: Romer Ch. 1.1-7, 2.A, 3.A

### **31 Oct – 25 Nov (7 Lectures). Consumption.**

A 2-period example, consumption smoothing and Permanent Income Hypothesis,  
the Random Walk Theory of Consumption, consumption and interest rates,  
consumption and asset prices, precautionary savings, liquidity constraints.  
Reading: Romer Ch. 7

### **27 Nov – 5 Dec (5 Lectures). Investment.**

User cost of capital, Q Theory, irreversible investment, lumpy investment, the role  
of uncertainty, imperfect financial markets  
Reading: Romer Ch. 8

### **9 Dec – 11 Dec (2 Lectures). Labor.**

Efficiency wages; Shapiro-Stiglitz, and Searching & Matching models.  
Reading: Romer Ch. 9

### **12 Dec (1 Lecture). Conclusion.**