

ECO702A Macroeconomics

Objective of the course: This course is designed for doctoral students as compulsory training to the theoretical underpinnings of macroeconomics that also include the microeconomic foundations. The advanced treatment of macroeconomic models is expected to provide an alternative understanding of the existing theories. The course requires a sound foundation of introductory macroeconomics, microeconomics, and mathematical economics.

Course content

1. **A Simple (Static) Representative Agent Model** - Elements of Macroeconomic Model: Preference, Endowment and Technology; Optimization; Competitive Equilibrium; Pareto Optima; Welfare Theorems; Comparative Statics
2. **Dynamic Optimization** - (a) Inter-temporal preferences, (b) Basics of dynamic optimization, (c) Consumption Smoothing, and comparative statics
3. **Search and Unemployment**- (a) One-sided search model: separation rate, reservation wage and applications of dynamics programming techniques, (b) Two-sided models: DP model and comparative statics, solutions.
4. **Overlapping Generations Model** - (a) Life-cycle Consumers and Demographics, (b) Equilibrium, (c) Steady-state and Dynamics, (d) Government budget deficit – Ricardian equivalence, distorting taxes, borrowing restrictions, finite lives, (d) Social Security
5. **Long-run Growth in the economy** - (a) Growth accounting, (b) Solow growth model (c) Technological progress in the Solow growth model, (d) Endogenous growth theory
6. **Rationale Expectations and economic policy** -(a) Adaptive and rational expectations hypotheses, (b) Applications of rational expectation in macroeconomics, (c) Policy-ineffectiveness proposition (PIP)-Lucas critique, (d) New Keynesian perspectives under one-period and overlapping wage contracts
7. **Real Business Cycle Models** - (a) The basic stochastic growth model, (b) Linearization, calibration, and simulation, (c) Criticisms and new developments.

Suggested text and reference material:

1. Heijdra, J Ben. The Foundations of Modern Macroeconomics. 3rd Ed., 2017. Oxford University Press
2. Wickens, Michael. Macroeconomic Theory. 2nd Ed., 2011. Princeton University Press
3. Williamson, Stephen D. Macroeconomics. 6th Ed., 2018. Pearson. (and his lectures)
4. Romer, David. 2011, Advanced Macroeconomics, 4th Edition, McGraw-Hill.
5. Ljungqvist, L., Sargent, T. J. (2018). Recursive Macroeconomic Theory, 4th Ed. MIT press.

6. Acemoglu, D., Laibson, D., & List, J. A. (2016). *Macroeconomics (Global Edition)*. Pearson.
7. Williamson, S. (2006). *Notes on Macroeconomic Theory*
8. Krueger, D. (2012). *Macroeconomic theory. Lecture Notes*.