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# ADVANCED MACROECONOMICS

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## COURSE OUTLINE

Winter 2023

Professor : Hassouna Moussa

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**Office Hours:** Tuesday and Thursday 2:45 pm – 4:00 pm

### RECOMMENDED TEXTBOOKS

Lecture Notes H. Moussa, 2023

Romer D. "Advanced Macroeconomics" McGraw Hill. Third edition 2006, Fourth edition 2006-2011

### Objectives and Methodology:

Welcome to this course of Advanced Macroeconomics. This course is meant to provide a transition between undergraduate and graduate level macroeconomics. The prerequisites for this course are: intermediate macroeconomics, empirical analysis in economics and business (Econ 2613, 2623), Mathematical Economics and preferably Econometrics.

Advanced Macroeconomics is not a repetition of intermediate macroeconomics. It is rather a deepening and a continuation. Since it is a transition course, the student will be asked not to restrict his/her attention to any particular textbook. Textbooks are meant to provide guidelines. Students are expected to read, use and comment on papers. Students are urged to assess economic theory critically and participate in class discussion with original ideas. For this purpose, the student will find it necessary to make readings of several pieces on economic policy at the elementary level. He/she will also be asked to write a serious paper on macroeconomic policy preferably using statistical analysis.

The course will give the student an opportunity to apply the analytical tools of macro and micro economic theory and will help him/her understand issues of unemployment, inflation, and business cycles. It will also consider such issues as the role of government, the consumer, the worker and business in the stabilization of economic activity and employment in an open economy with substantial international trade flows and buffeted by large possibly capricious movements of financial capital.

### COURSE OUTLINE:

Weeks 1 and 2:	Economic Growth and technological progress Moussa, Chapter 1, Romer, Chapter 1, Domar,
Week 3	Consumption Function and the Life Cycle Hypothesis. Moussa Chapter 2, Romer Chapter 7, Modigliani 1985, Hall 1978
Week 4	International Trade and Financial Capital Movements. Purchasing Power Parity, Interest Rate Parity, and rate of change of the exchange rate. Moussa Chapter 4, Romer Chapter 5
Weeks 5 and 6	Rational Expectations, the Phillips Curve, and Monetary and Fiscal Policies Wallace and Sargent, Moussa Chapter 5, Romer chapter 6
Week 7	Staggered labour contracts and rational expectations, Moussa chapter 6, Romer chapter 6
Week 8	Friedman's Criticism of Keynesian Economic Theory, Friedman, Romer chapter 5

	The natural rate of unemployment, Moussa chapter 11
Week 9	
Weeks 10-11	Investment, Moussa Chapter 7, Romer chapter 8
Week 12	Determinants of Interest Rates, Ricardian Equivalence, and Government Budget Deficits Moussa Chapter 8, Romer Chapter 8, Kormendi
Week 13	Real Business Cycles, Moussa Chapter 9, Romer Chapter 4
Week 14	Wage and Price Flexibility and the costs of disinflation Moussa, Chapter 10
	Economic Growth and Money Moussa Chapter 3

### **GRADING SYSTEM**

There will be three assignments, a paper, a midterm exam and a final exam.

	<b>Due Date</b>	<b>Weight</b>
Assignments	See Assignments Schedule below	15
Midterm Exam	February 28, 2023	35
Paper	April 4, 2023	15
<b>Final Exam</b>	To be announced	35

### **ASSIGNMENTS SCHEDULE**

Assignment	<b>Distribution Date</b>	<b>Due Date</b>
1	January 24, 2023	February 7, 2023
2	February 7, 2023	February 16, 2023
3	March 16, 2023	March 28, 2023

## *References*

- Domar, E. 1947 "Expansion and Employment", *American Economic Review*, 37, March, pp. 34-55.
- Fischer, S., 1977, "Long-Term Contracts, Rational Expectations, and the Optimal Money Supply Rule," *Journal of Political Economy* 85, no. 1 (Feb) pp. 191-205.
- Friedman M, 1968. "The Role of Monetary Policy", *American Economic Review*, 58, May, pp. 1-17.
- Hall R, 1978. " Stochastic Implications of the Life Cycle-Permanent Income Hypothesis, Theory and Evidence," *Journal of Political Economy*, December, pp. 971-988.
- Keynes, J. M. 1936, "The General Theory of Employment, Interest and Money" New York.
- Kormendi, R. 1983 "Government Debt, Government Spending, and Public Sector Behavior" *American Economic Review*, December 994, 1010.
- Modigliani, F., 1986, "Life Cycle, Individual Thrift, and the Wealth of Nations" *American Economic Review*, June, 297-313
- Plosser C. I., "Understanding Real Business Cycles " *The Journal of Economic Perspectives*, Vol. 3, N 3, Summer 1989.
- Sargent T. and Wallace N. 1981 "Rational Expectations and the Theory of Economic Policy." in *Rational Expectations and Econometric Practice*, R. E. Lucas and T. Sargent, Editors, The University of Minnesota Press, Minneapolis, Vol. 1, pp. 199-214