



## Nanchang University ECON 23: Intermediate Macroeconomics II

**Credit:** 4

### ***Contact Hours***

This course is composed of 24 lecture sessions, 3 tutorial sessions and 9 office contact hours. Each lecture session takes 2 contact hours in length; each tutorial session takes 3 contact hours in length; There will be a Q-A review session (3 contact hours) and Final Exam (3 contact hours) at the end of this term. This course has 72 contact hours in total.

### ***Course Description***

This course is designed to provide you with an advanced understanding of macroeconomic concepts and models used in economic and policy analysis. We will analyze the fundamentals of macroeconomic variables such as output, inflation and unemployment. A series of frontier research related to economic growth and development, asset pricing and monetary policy, international finance and trade, and other contemporary issues on income and firm distribution. In this course, we will study the aggregate economy by developing theoretical models with solid microfoundations, and it implies that:

1. We use models populated by agents (households, firms and government) that optimize their own behavior;
2. The implied equilibrium allocations that result from the behavior of agents satisfy aggregate consistency conditions (essentially market clearing).

### ***Required Material***

*Advanced Macroeconomics* by David Romer, 4th Edition

Publisher: McGraw-Hill

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MHID 0-07-351137-4

### ***Grading***

- |                       |     |
|-----------------------|-----|
| ● Participation       | 10% |
| ● Papers              | 20% |
| ● Presentation        | 10% |
| ● Midterm Examination | 30% |
| ● Final Exam          | 30% |



A+ 96-100	A 90-95	A- 85-89
B+ 82-84	B 78-81	B- 75-77
C+ 71-74	C 66-70	C- 62-65
D 60-61	F < 60	

### **Course Schedule**

The course has 24 class sessions in total. All sessions are 2 contact hours in length. At the end of this term, there will be a Q-A review session(3 contact hours) and Final Exam (3 contact hours).

Note: the course outline and required readings are subject to change.

Class 1:

Introduction

Some Basic Facts about Economic Growth; Assumptions

Dynamics of the Model; The Impact of a Change in the Saving Rate

Reading: Chapter 1 The Solow Growth Model

Class 2:

Quantitative Implications; The Solow Model and the Central Questions of Growth Theory

Empirical Applications; The Environment and Economic Growth Problems

Reading: Chapter 1 The Solow Growth Model

Class 3:

Part A The Ramsey-Cass-Koopmans Model

Assumptions; Behavior of Households and Firms; The Dynamics of the Economy; Welfare Balanced Growth Path; A Fall in the Discount Rate; The Effects of Government Purchases

Reading: Chapter 2 Infinite-Horizon and Overlapping-Generations Model

Class 4:

Part B The Diamond Model

Assumptions; Household Behavior

Dynamics of the Economy; The Possibility of Dynamic Inefficiency

Government in the Diamond Model Problems

Reading: Chapter 2 Infinite-Horizon and Overlapping-Generations Model

Class 5:

Framework and Assumptions; Model without Capital; General Case

Nature of Knowledge and the Determinants of the Allocation of Resources to R & D

The Romer Model; Time-Series Tests of Endogenous Growth Models

Empirical Application: Population Growth and Technological Change since 1 Million B.C.

Models of Knowledge Accumulation and the Central Questions of Growth Theory Problems

Reading: Chapter 3 Endogenous Growth

Paper 1



Class 6:

Extending the Solow Model to Include Human Capital

Empirical Application: Accounting for Cross-Country Income Differences

Social Infrastructure

Empirical Application: Social Infrastructure and Cross-Country Income Differences

Beyond Social Infrastructure; Differences in Growth Rates Problems

Reading: Chapter 4 Cross-Country Income Differences

Class 7:

Introduction: Some Facts about Economic Fluctuations

An Overview of Business-Cycle Research; A Baseline Real-Business-Cycle Model

Household Behavior; A Special Case of the Model

Reading: Chapter 5 Real-Business-Cycle Theory

Class 8:

Solving the Model in the General Case; Implications

Calibrating a Real-Business-Cycle Model; Empirical Application: Money and Output

Assessing the Baseline Real-Business-Cycle Model Problems

Reading: Chapter 5 Real-Business-Cycle Theory

Class 9:

Part A Exogenous Nominal Rigidity

A Baseline Case: Fixed Prices

Price Rigidity, Wage Rigidity, and Departures from Perfect Competition in the Goods and Labor Markets; Empirical Application: The Cyclical Behavior of the Real Wage

Toward a Usable Model with Exogenous Nominal Rigidity

Reading: Chapter 6 Nominal Rigidity

Class 10:

Part B Microeconomic Foundations of Incomplete Nominal Adjustment

A Model of Imperfect Competition and Price-Setting; Are Small Frictions Enough?

Real Rigidity; Coordination-Failure Models and Real Non-Walrasian Theories

The Lucas Imperfect-Information Model

Empirical Application: International Evidence on the Output-Inflation Tradeoff Problems

Reading: Chapter 6 Nominal Rigidity

Paper 2

Class 11:

Building Blocks of Dynamic New Keynesian Models; Predetermined Prices: The Fischer Model

Fixed Prices: The Taylor Model; The Calvo Model and the New Keynesian Phillips Curve

Reading: Chapter 7 Dynamic Stochastic General-Equilibrium Models of Fluctuations



Class 12:

State-Dependent Pricing; Empirical Applications

Models of Staggered Price Adjustment with Inflation Inertia

The Canonical New Keynesian Model

Other Elements of Modern New Keynesian DSGE Models of Fluctuations Problems

Reading: Chapter 7 Dynamic Stochastic General-Equilibrium Models of Fluctuations

Class 13:

Certainty: The Permanent-Income Hypothesis

Consumption under Uncertainty: The Random-Walk Hypothesis

Empirical Application: Two Tests of the Random-Walk Hypothesis

The Interest Rate and Saving; Consumption and Risky Assets

Beyond the Permanent-Income Hypothesis Problems

Reading: Chapter 8 Consumption

Class 14:

Investment and the Cost of Capital; A Model of Investment with Adjustment Costs

Tobin's  $q$ ; Analyzing the  $Mo$ ; Implications

Reading: Chapter 9 Investment

Class 15:

Empirical Application:  $q$  and Investment; The Effects of Uncertainty

Kinked and Fixed Adjustment Costs; Financial-Market Imperfections

Empirical Application: Cash Flow and Investment Problems

Reading: Chapter 9 Investment

Class 16:

Midterm

Class 17:

Introduction: Theories of Unemployment; Generic Efficiency-Wage Model

A More General Version; The Shapiro-Stiglitz Model

Reading: Chapter 10 Unemployment

Class 18:

Contracting Models; Search and Matching Models

Implications; Empirical Applications Problems

Reading: Chapter 10 Unemployment

Class 19:

Inflation, Money Growth, and Interest Rates

Monetary Policy and the Term Structure of Interest Rates

The Microeconomic Foundations of Stabilization Policy

Backward-Looking Model; Optimal Monetary Policy in a Simple Forward-Looking Model



Reading: Chapter 11 Inflation and Monetary Policy

Class 20:

Additional Issues in the Conduct of Monetary Policy

The Dynamic Inconsistency of Low-Inflation Monetary Policy

Empirical Applications; Seignorage and Inflation Problems

Reading: Chapter 11 Inflation and Monetary Policy

Class 21:

Government Budget Constraint; The Ricardian Equivalence Result

Ricardian Equivalence in Practice; Tax-Smoothing

Political-Economy Theories of Budget Deficits

Reading: Chapter 12 Budget Deficits and Fiscal Policy

Class 22:

Strategic Debt Accumulation; Delayed Stabilization

Empirical Application: Politics and Deficits in Industrialized Countries

Class 23:

The Costs of Deficits; A Model of Debt Crises Problems

Reading: Chapter 12 Budget Deficits and Fiscal Policy

Class 24:

Presentation

Overall review

### ***Attending Policy***

Regular and prompt attendance is required. Under ordinary circumstances, you may miss two times without penalty. Each absence over this number will lower your course grade by a third of a letter and missing more than five classes may lead to a failing grade in the course. Arriving late and/or leaving before the end of the class period are equivalent to absences.

### ***Policy on "Late Withdrawals"***

In accordance with university policy, appeals for late withdrawal will be approved ONLY in case of medical emergency and similar crises.

### ***Academic Honesty***

Nanchang University expects all students to do their own work. Instructors will fail assignments that show evidence of plagiarism or other forms of cheating, and will also report the student's name to the University administration. A student reported to the University for cheating is placed on disciplinary probation; a student reported twice is suspended or expelled.



### ***General Expectations:***

Students are expected to:

- Attend all classes and be responsible for all materials covered in class and otherwise assigned;
- Complete the day's required reading and assignments before class;
- Review the previous day's notes before class and make notes about questions you have about the previous class or the day's reading;
- Participate in class discussions and complete required written work on time;
- Refrain from texting, phoning or engaging in computer activities unrelated to class during the class period;
- While class participation is welcome, even required, you are expected to refrain from private conversations during the class period.

### ***Special Needs or Assistance***

Please contact the Administrative Office immediately if you have a learning disability, a medical issue, or any other type of problem that prevents professors from seeing you have learned the course material. Our goal is to help you learn, not to penalize you for issues which mask your learning.