

UNIVERSITY OF OREGON
Department of Economics

Professor George W. Evans
Room 441 PLC.
Office hours: Tu 3:30 – 5:00, Th 12:30 – 1:20
Phone: 346-4662, email:gevans@uoregon.edu

Economics 607
Winter 2007

Core Seminar in Macroeconomics, Winter Term

The main textbook for this course is:

David Romer, *Advanced Macroeconomics*, Third ed. McGraw-Hill, 2006.

Articles, chapters and lecture notes are used for some topics.

There will be two closed book exams: a midterm and the final, counting 40% and 50% of the grade, respectively. The midterm will be in class on Tuesday, February 20, and the final exam is scheduled for Friday, March 22 from 1 – 3pm. Problem sets will also be handed out, and count 10% of the grade.

Course Syllabus and Reading List

1. The Solow growth model.

Romer, Ch. 1.

Review: A. C. Chiang, *Fundamental Methods of Mathematical Economics*, 3rd ed., Ch 14, 15 and 18.5-18.6. (4th ed., A. C. Chiang and K. Wainwright: Ch 15, 16 and 19.5-19.6)

2. Continuous time perfect foresight models -- an example: the Dornbusch exchange rate model. Surprise and anticipated policy changes.

Class Lectures

Reference: Dornbusch, Rudiger, "Expectations and exchange rate dynamics," *Journal of Political Economy*, vol. 84, 1976, 1161-1176.

3. Dynamic optimization in continuous time: Hamiltonians

P. Aghion and P. Howitt, *Endogenous Growth Theory*, Ch. 1 Appendix.

4. The infinite horizon continuous time optimal growth model. (The Ramsey model). Government spending.

Romer, Ch. 2A.

5. The overlapping generations model with capital and growth. (The Diamond model). Government purchases in the Diamond model.

Romer, Ch. 2B.

Review: A. C. Chiang, *Fundamental Methods of Mathematical Economics*, 3rd ed., Ch 16. (4th ed.: Ch. 17).

6. Dynamic optimization in discrete time: dynamic programming.

L. Ljungqvist and T. J.Sargent, *Recursive Macroeconomic Theory*, 2nd edition, Chapter 3.

7. Asset Pricing. The Lucas asset pricing model. Term structure of interest rates and consumption CAPM.

Romer, Section 7.5.

Class Lectures.

8. Solving linear stochastic Rational Expectations models: the method of undetermined coefficients. Taylor's overlapping contracts model and other applications.

Class Lectures.

Taylor, John, "Staggered price setting in a macro model", *American Economic Review*, May 1979, vol. 69, 108-113.

9. Real Business Cycle Models.

Romer, Ch. 4.

10. The New Keynesian Model.

Section 5.4 of Chapter 5 from Carl E. Walsh, *Monetary Theory and Policy*, Second Edition, pp. 230 – 256 and 253 – 268.

Other macro textbooks that you should be aware of:

O. J. Blanchard and S. Fischer, *Lectures on Macroeconomics*, MIT Press, 1989.

Thomas J. Sargent, *Dynamic Macroeconomic Theory*, Harvard University Press, 1987.

L. Ljungqvist and T. Sargent, *Recursive Macroeconomics*, 2nd edition MIT Press, 2004.

R. E. Lucas, Jr., and N. Stokey, with E. C. Prescott, *Recursive Methods in Economic Dynamics*, Harvard University Press, 1989.