

Aims and Objectives

This course introduces MPhil students to the theory of economic growth and business cycles. Upon completion of this module, students should have

- Knowledge of the Solow economic growth model and the determinants of growth;
- An understanding of the real business cycles model;
- Knowledge of the determinants of consumption and investment.

Course Description

The purpose of this course is to introduce you to major questions and theories in neoclassical economics. The goal is to develop the “tools and tastes” necessary to understand the main models of economic growth and business cycle. First, it discusses the Solow-Swan model with exogenous technological progress and savings decision. We analyse the equilibrium of the model and the comparative dynamics around the steady state. Second, we study the microfoundation of consumption and then we study the business cycles phenomena and set up a simple model, which can generate some business cycle facts. Finally we look deeper into investment theory.

Topics

There are 4 two-hour lectures. The topics of the lectures are as follows:

1. Solow growth model
2. Micro-foundations of consumption
3. Real business cycles model
4. Micro-foundations of investment

Assessment

The examination for this module will be by a 2-hour written exam.

Readings

The main textbook used for this module is:

Romer, D. (2001). *Advanced Macroeconomics*, 3rd edition

Supplementary Readings:

Acemoglu, D (2009). *Introduction to Economic Growth*, chs 1-5, 8, 11.

Barro, R.J. and X. Sala-i-Martin (1998). *Economic Growth*, chs 1-2.

Blanchard, O. and S. Fischer (1989). *Lectures on Macroeconomics*.

Jones, C. (2002). *Introduction to Economic Growth*, 2nd edition.

L. Ljungqvist, and T. Sargent (2004). *Recursive Macroeconomic Theory*, 2nd edition.

M. Obstfeld and K. Rogoff (1996). *Foundations of International Macroeconomics*, MIT Press.