

Aims and Objectives

This course aims to provide an overview of macroeconomics focusing on the theory of economic growth and business cycles, unemployment, real and nominal rigidities, monetary and fiscal policy, and exchange rates. Upon completion of this module, students should have

- a solid understanding of the main phenomena in macroeconomics;
- the ability to analyse macroeconomic issues using theoretical models;
- a sound understanding of the empirical relevance of macroeconomic models.

Course Description

This course provides an overview of the main theory and evidence behind key macroeconomic phenomena, covering the following topics in 9 two hours lectures:

- Growth: 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;
- Consumption: the microfoundation of consumption;
- Business cycles: the business cycles phenomena setting up a simple model, which can generate some business cycle facts;
- Investment theory;
- Unemployment and rigidities: real rigidities and efficiency wages (Solow condition; Shapiro-Stiglitz model); hysteresis in unemployment (insider-outsider model); nominal rigidities (menu cost model);
- Macroeconomic policy: dynamic inconsistency in monetary policy, inflation bias and delegation solutions (Barro-Gordon model); monetary policy rules (Taylor rule); very high inflation and seignorage; fiscal policy (Ricardian equivalence; Barro taxsmoothing model);
- Exchange rates: nominal exchange rates (flexible-price monetary model); exchange rate volatility (Dornbusch overshooting model); real exchange rates (Harrod-BalassaSamuelson model).

Assessment

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

Readings

The main textbooks used for this module is:

Romer, D. (2019). *Advanced Macroeconomics*, 5rd edition, McGraw-Hill

Lucio Sarno and Mark Taylor (2003), *The Economics of Exchange Rates*, Cambridge University Press

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*.

Benjamin Friedman and Michael Woodford (2011, eds.), *Handbook of Monetary Economics*, Vol. 3, Elsevier. - Jordi Galí (2008), *Monetary Policy, Inflation, and the Business Cycle*, Princeton University Press.

Gita Gopinath, Elhanan Helpman and Kenneth Rogoff (2014, eds), *Handbook of International Economics*, Vol. 4, North-Holland. - Gene Grossman and Kenneth Rogoff (1995, eds), *Handbook of International Economics*, Vol. 3 (Part 2), North-Holland. - Peter Isard (1995), *Exchange Rate Economics*, Cambridge University Press.

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

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

N. Gregory Mankiw and David Romer (1991, eds.), *New Keynesian Economics*, Vol. I & II, MIT Press.

John B. Taylor and Michael Woodford (1999, eds.), *Handbook of Macroeconomics*, Vol. 1 (Parts 1, 5 and 7), North Holland.

John B. Taylor and Harald Uhlig (2016, eds.), *Handbook of Macroeconomics*, Vol. 2, North Holland.

Mark Taylor (1995), "The Economics of Exchange Rates", *Journal of Economic Literature* 33.

Carl Walsh (2010), *Monetary Theory and Policy*, MIT Press.