

Faculty of Arts and Social Sciences
Advanced Macroeconomics - ECON 360
Spring 2021

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Office Hours: by appointment

Lectures: M 9:40-11:30, 14:40-15:30

Course Organization:

I will teach the course live every Monday at the stated times. I will upload the lecture videos on Google Drive and the students will be able to access them via SUCourse+. Recitation lectures will also be taught live.

Zoom link for the lectures:

<https://sabanciuniv.zoom.us/j/7849917574?pwd=MjJ3V1pDTFR0bS9ybVV5QzRNejRkZz09>

Supplementary Book: Robert J. Barro, Macroeconomics, The MIT Press 5th edition.
Krugman, Obstfeld & Melitz, International Economics: Theory and Policy

Course Description:

In the first part of this course we will be focusing on the financial and monetary aspects of international economics. It will provide students with the tools to understand the determinants of exchange rates, which are an important channel through which national economies interact on the global markets. The course puts a particular attention to the link between the money market, interest rates and prices in determining the relative value of currencies.

In the second part we will study microfoundations of modern Dynamic Macroeconomics. We will focus rigorously on decision making by individuals and firms. Our main objective is to learn intertemporal optimization and apply it to certain macroeconomic issues. The main macroeconomic issues that we are going to be focusing on are unemployment, inflation, fiscal and monetary policies, and their effects on the macroeconomy.

Prerequisites: ECON 202, ECON 204

Grading: Homeworks: 10%, Midterm 1: 45%, Final Exam: 45%

Rules of Conduct

All exams are going to be conducted online. You will be required to turn on your camera during the exam. It is the student's responsibility to take the exam with a functioning camera. You will be given a set of instructions before each exam.

Make-up exams are granted only in case of a valid and documented reason. Absence in exams without any valid documented reason will result in a 0 from that exam. In case of an illness, the student is required to produce a formal doctor's note from a hospital. (A doctor's note taken from a doctor's private practice does not count as formal.) In case of private hospitals, the doctor's note has to be verified by the university health service.

Homeworks should be turned in at the beginning of the class on the homework's due date. A student who does not turn in a homework will be given a grade of 0 and no late homeworks will be accepted.

The definition for scholastic dishonesty is given in the rules and regulations of the Sabanci University. Cheating during written work will result in an F for the course. All incidents of scholastic dishonesty will be reported to FASS.

All class announcements, grades and problem sets will be posted on the SUCourse site. Make sure to visit the site frequently.

Course Outline

First Part: We will follow Krugman, Obstfeld & Melitz

1. Exchange Rates and the Foreign Exchange Market: An Asset Approach (Chapter 14)
2. Money, Interest rates and Exchange Rates (Chapter 15)
3. Prices Levels and the Exchange Rate in the Long Run (Chapter 16)
4. Output and the Exchange Rate in the Short Run (Chapter 17)
5. Fixed Exchange Rates and Foreign Exchange Intervention (Chapter 18)

Second Part: We will follow lecture notes and Barro's book

1. Work Effort, Production and Consumption (Chapter 2)
2. The Behavior of Households with Markets for Commodities and Credit (Chapter 3)
3. The Labor Market (Chapter 6)
4. Unemployment (Lecture Notes)
5. Inflation (Chapter 8)
6. The Effect of Government Purchases (Chapter 12)
7. The Effect of Taxation (Chapter 13)
8. The Optimal Path of Government Debt (Chapter 14)

9. The Fiscal and Monetary Policy (Chapter 18)

10. Optimal Monetary Policy (Chapter 19)