

Faculty of Arts and Social Science
Advanced Macroeconomics (ECON 360)

Riccardo Franceschin

10 February 2022

Instructor

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Course Organization:

The course has 3 hours of classes per week. We will have two hours every Monday and one hour every Tuesday. The classroom for lectures is FASS G052 on Monday and FASS 1081 on Tuesday.

Prerequisites

ECON 202, ECON 204

Course Objectives

This course is the natural continuation of ECON 202 Macroeconomic course, therefore a knowledge of basic macroeconomic concepts is taken for granted. Moreover, basic optimization techniques learnt in the ECON 204 classes are also required.

In the first part of the course we will study microfoundations of modern Dynamic Macroeconomics. We will focus rigorously on decision making by individuals and firms, in modern neo-classical and neo-keynesian models. Our main objective is to learn intertemporal optimization and apply it to certain macroeconomic issues. In particular, we

are going to focus on fiscal and monetary policies, and their effects on the macroeconomic variables, such as production, inflation and unemployment.

In the second part of the course, we will focus on extensions of standard economic models that has revealed particularly important to understand the business cycles and financial crisis, such as the Great Recession of 2008-09. We are going to insert labour and financial frictions in the models analyzed in the first part of the course, analyzing their impact on the economic equilibrium and the response of the economy to shocks.

Course Textbook

- **Stephen D. Williamson**, *Macroeconomics*, 6th Edition, Pearson
- Lecture notes

Course Outline (subject to adjustments)

First Part (Chapters are from the book, integrated with slides and notes)

- A One-Period Model of a Close Macroeconomy (Chapter 4 and Chapter 5)
- A Two-Periods Model: Consumption and Savings Decision (Chapter 9)
- A Real Intertemporal model with Investment (Chapter 11)
- Money, Banking and Monetary Policy (Chapter 12)
- New Keynesian Economics (Chapter 14)
- Optimal Monetary Policy: discretion vs commitment (notes)

Second Part (Chapters are from the book, integrated with slides and notes)

- Search and Unemployment (Chapter 6)
- Credit Market Imperfections (Chapter 10)
- Bank runs and Diamond-Dybvig model (notes)
- Public Debt and Debt Crisis (notes)

Course Requirements and Grading

The exam will be composed of both exercises and theoretical questions. Class lectures are **NOT** intended to be simple repetitions of concepts expressed in the book or in other readings. If a concept is present in the textbook' chapters before mentioned, but is not explained in class, it is still expected to be learnt (unless explicitly excluded). Studying **only** the book or **only** the lecture notes or practicing **only** on exercises will not be enough to get maximum grade: all sources are necessary and complementary to each other. As in finance, so in this course: it is a very risky behaviour to invest everything in only one asset.

There will be one **optional** midterm exam and one final exam as well as homework assignments.

Part of the grade will be assigned through class participation, which includes attendance, questions, discussion.

The weights are as follows:

- Midterm Exam: 40%
- Final Exam: 40%
- Homework Assignments: 10%
- Class Participation: 10%

The midterm is **strongly suggested** but optional. Students that will not take the midterm exam (both willingly or for other impossibilities, such as health problems) will have a longer final exam covering the whole course, weighting 80% of the grade. Moreover, students that want to improve their midterm grades can also take the full final exam, eliminating the previous mid-term grade.

The date of the midterm is not fixed yet.

Homework assignments will be posted on Sucourse and you will have to upload your answers on Sucourse. Late submissions will be penalized: if you fail to turn in homework on time, you will receive a lower score depending on the delay. Students may work together on homework assignments (it is actually strongly **encouraged**), but **MUST** write up their answers independently. Assignments that are copies of one another will be harshly penalized.

Homework are **NOT** optional, not presenting assignments will result in a 0 grade for the 10% homework component entering the final vote.

Class Attendance

Class attendance is strongly suggested, but not mandatory. However, students are responsible for all material covered during lectures and all course announcements made during lectures. It is your responsibility to check the website or ask other students for announcements, assignments and any possible changes related to the course plan. Moreover, 10% of the grade will be determined by class participation that includes (**but is not limited to**) class attendance.