Macroeconomics I

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Schedule. Tuesday 09:30-11:00, Tuesday 11:30-13:00, and Friday 11:30-13:00.

Structure. The course lasts for 10 weeks with 3 sessions per week. We will normally have 2 sessions of theory and 1 to go through your homework every week, but there will be a few exceptions according to the course needs.

Contents.

1. Neoclassical Growth Model
2. Multi-Sector Models
3. OG Models
4. Firms
5. Households
6. Money

Previous knowledge. The students are assumed to be familiarized with the basic concepts of macroeconomics. In this sense, material in Burda and Wyplosz (1997, chapters 1, 2 and 3) will be assumed as known. During the course we will meet systems of differential equations and dynamic optimization problems to be solved by use of optimal control theory. If you need to review these things, Chiang (1984) and Chiang (1992) are good help. The mathematical appendix in Barro and Sala-i-Martin (1999) is also a good reference.

Homework. There will be 8 problem sets for you to work at home. Of those, 7 will be paper-and-pencil style and 1 will be computational. For the 7 paper-and-pencil problem sets, every student will have to submit their own solutions individually. These problem sets will not be graded but failure to submit will penalize the homework grade. Students will be selected at random to present their solutions in the problem set sessions, and these presentations will be graded (5% of the final mark). For the computational problem set, solutions will be submitted by teams of two, and they will be graded (10% of the final mark). We will discuss the solution to this problem set in week 4.

Exams. There will be a 3-hours final exam at the end of the course (85% of the final grade).

More Information. This syllabus, exercise lists, and supporting material can be found in the intranet (https://master.cemfi.es/). I will update its contents throughout the course.

Part I. Neoclassical Growth Model.

- Duration: 5 theory sessions and 3 homework sessions.
- Program:
  - Introduction: stylized facts of growth
  - The Solow Model
  - The AK Model
  - The Ramsey Model
  - Growth and Development Accounting
- References. The class notes for *Solow* and *Ramsey* will follow quite closely Barro and Sala-i-Martin (1999, chapters 1 and 2). For the *Solow Model*, additional references are Romer (1996, chapter 1) and Acemoglu (2009, chapter 2). For the *Ramsey Model*, additional references are Blanchard and Fischer (1991, chapter 2), Romer (1996, chapter 2) and Acemoglu (2009, chapter 8). For *Growth Accounting* you can have a look at Barro and Sala-i-Martin (1999, chapter 10) and for *Development Accounting* at Caselli (2005). The empirical performance of the Solow and Ramsey models is discussed in Acemoglu (2009, chapter 3) and Barro and Sala-i-Martin (1999, chapters 11 and 12). Several empirical facts discussed in class come from Jones (2015).

Part II. Multi-Sector Models.

- Duration: 3 theory sessions and 1 homework session.
- Program:
  - The Multi-Sector Ramsey Model
  - Different Productivity Growth across Sectors
  - Non-Homothetic Preferences
- References. The class lectures do not follow any textbook, but you can find a good survey of structural change with data and a review of models in Herrendorf, Rogerson, and Valentinyi (2014). The part on *Different Productivity Growth* follows Ngai and Pissarides (2007). The part on *Non-Homothetic Preferences* follows Kongsamut, Rebelo, and Xie (2001). This part can also be followed in Acemoglu (2009, chapter 20).

Part III. OG Models.

- Duration: 3 theory sessions and 1 homework sessions.
- Program:
  - The basic OG model
  - Optimality
  - Altruism
  - Social Security
- References. The class lectures will somewhat follow Blanchard and Fischer (1991, chapter 3), but with very different notation. You can also have a slightly different approach with good intuitions in Romer (1996, chapter 2) and a very formal (and short) exposition in Barro and Sala-i-Martin (1999, chapter 3).

Part IV. Firms.

- Duration: 4 theory sessions 1 homework session.
- Program:
  - Firm Heterogeneity
  - The q Theory of Investment
  - An Equilibrium Open Economy
- References. For the *Firm Heterogeneity* part, a very helpful survey is Hopenhayn (2014). The class set up is based on Guner, Ventura, and Yi (2008). The basic model of the *q Theory* can be easily followed in Romer (1996, chapter 8), Acemoglu (2009, chapter 7) or in Adda and Cooper (2003, chapter 8). The *Open Economy* case follows Blanchard and Fischer (1991, chapter 2), although in the book they solve for the social planner problem. You can also look at Barro and Sala-i-Martin (1999, chapter 3).

Part V. Households.

- Duration: 5 theory sessions and 2 homework sessions.
- Program:
  - The Permanent Income Hypothesis
  - The Ricardian Equivalence
  - Uncertainty and the Random Walk Result
  - Uncertainty and Precautionary Savings
  - Life Cycle
  - A Note on Habit Formation and Recursive Preferences
- References. A very good summary for the permanent income hypothesis and the uncertainty parts can be followed at Jappelli and Pistaferri (2010). We will discuss the empirical results in Hall (1978), Hansen and Singleton (1983), Mehra and Prescott (1985), and Attanasio and Weber (1993). The simple model to study precautionary savings is based on Barsky, Mankiw, and Zeldes (1986). For the Ricardian Equivalence part, Elmendorf and Mankiw (1999) and Ljungqvist and Sargent (2000, chapters 9 and 10) or Ljungqvist and Sargent (2004, chapters 10 and 13) contain textbook material. The main reference for the data in the life cycle part is Attanasio (1999) and the more recent Attanasio and Weber (2010). We also talk about some other papers, among them Gourinchas and Parker (2002). The Beckerian model of life cycle allocation of consumption and expenditure can be followed in Ghez and Becker (1975) and its empirical application in Aguiar and Hurst (2007).

Part VI. Money.

- Duration: 2 theory sessions.
- Program:
  - A demand for money: Sidrauski
- References. Undergraduate material on money supply and behavior of the central bank can be found at Burda and Wyplosz (1997, chapter 9). In the introduction we will review some empirical facts from Cooley and Hansen (1995), Lucas (1980) and McCandless and Weber (1995). A detailed survey of empirical work documenting the relationship between real and nominal variables can be found in Walsh (1998, chapter 1). The exposition of the *Sidrauski Model* follows (freely) McCallum (1990). You can also have a different exposition in Walsh (1998, chapter 2).

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So macroeconomics is concerned with the economic activities as a whole. It studies the situation and performance of aggregate and sub aggregate variab...Â , +2 Economics & Finance, Sai Global Academy (2019). Answered September 15. Macroeconomics The term 'macro' seems to have derived from Greek word 'makros' meaning large. So macroeconomics is concerned with the economic activities as a whole. Macroeconomics is a branch of economics that deals with the performance, structure, and behavior of a national economy as a whole. Macroeconomists seek to understand the determinants of aggregate trends in an economy with particular focus on national income, unemployment, inflation, investment, and international trade. In contrast, microeconomics is primarily focused on the determination of prices and the role of prices in allocating scarce resources. In particular, the Great Depression of the 1930s Macroeconomics (from the Greek prefix makro- meaning "large" + economics) is a branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole. This includes regional, national, and global economies.[1][2]. Macroeconomists study aggregated indicators such as GDP, unemployment rates, national income, price indices, and the interrelations among the different sectors of the economy to better understand how the whole economy functions. Macroeconomics is the branch of economics that deals with the structure, performance, behavior, and decision-making of the whole, or aggregate, economy. The two main areas of macroeconomic research are long-term economic growth and shorter-term business cycles. Macroeconomics in its modern form is often defined as starting with John Maynard Keynes and his theories about market behavior and governmental policies in the 1930s; several schools of thought have developed since. I would choose macro over microeconomics any day. So whatâ€™s with macroeconomics? What is Macroeconomics? Grossly Important â€“ GDP and GNI. Schools of Economic Thought. Consumption (C); Investment (I); Government Spending (G) and; Net Exports (X-M).Â Macroeconomics is a â€˜top-downâ€™ approach and is in a way, a helicopter view of the economy as a whole. It aims at studying those aspects and phenomena which are important to the national economy and world economy at large.