

KYIV SCHOOL OF ECONOMICS

Macro III, Winter 2023

Instructor: Maksym Obrizan

Time & Location: TBA

Office Hours: TBA. Please email me if I am not online.

E-mail: mobrizan@kse.org.ua or mobrizan@gmail.com

Teaching Assistants: TBA

Text: Lectures will be based on the following:

Romer, David. 2018. *Advanced Macroeconomics*, 5th ed.

Williamson, S. *Notes on Macroeconomic Theory*.

Barro, R and Sala-i-Martin, X. 2004. *Economic growth*. 2nd Edition.

Hoover, K. 2012. *Applied Intermediate Macroeconomics*.

Heer, B. and A. Maussner. 2009. *Dynamic General Equilibrium Modeling: Computational Methods and Applications*. 2nd edition.

Ljungqvist, L. and T. Sargent. 2004. *Recursive Macroeconomic Theory*.

At a simpler level: Williamson S. 2008. *Macroeconomics*. 3rd edition.

Course Description:

In the first part of the Macro-III course we will continue in-depth study of economic growth starting from growth stylized facts and growth accounting exercise which helps to identify sources of growth. Next, we will consider growth models that complement the Solow model such as the Ramsey model, overlapping generations (OLG) model and endogenous growth models. In the second part of the course we will review topics in macroeconomics including labor search models and intertemporal capital asset pricing model. We will also study Dynare which is a Matlab toolbox that helps to solve and visualize macroeconomic DSGE models. We will complete the course with student presentations of modern influential papers in growth and development.

Learning Outcomes for the Course:

At the end of this course, students will be able to:

- Apply growth accounting techniques
- Solve dynamic macroeconomic models based on the neoclassical framework
- Provide economic interpretation of solutions
- Apply Dynare and Matlab software to solve DSGE models
- Formulate solutions to practical examples and exercises

(Preliminary) List of Topics:

- Economic growth: overview of the basic facts; Neoclassical growth theory.
- Extensions to the Solow model: government, human capital and environment.
- The Diamond OLG model of growth. Dynamic inefficiency. The OLG model and the pension system.
- Introduction to endogenous growth theory.
- Permanent-income hypothesis.
- One-sided labor search model of McCall (1970). Search frictions and the aggregate labor market.
- Efficiency wages. Shapiro-Stiglitz model. Akerlof-Yellen model.
- Optimal fiscal policy and zero capital tax. Rethinking capital taxation. Taxes, employment and automation.
- Political economy models of budget deficits.
- Intertemporal capital asset pricing model (Lucas tree model). Asset pricing during COVID epidemics.
- Student presentations of recent articles on development.

Grading:

Letter grades will be distributed according to standard KSE grading scale based on the following:

Assignment	% of Grade	Details
Homeworks	30%	The lowest score will have 50% weight
Unannounced Quizzes	10%	Two lowest scores dropped, number of quizzes 4-8
Midterm	20%	In class
Final	40%	During the Finals week

The purpose of unannounced quizzes is (i) to make sure that you do your reading not just before the exams and (ii) to check attendance (50% of the quiz score is given just for being present). There will be no makeups for quizzes that you miss. Final exam will be comprehensive - it will also include questions from the material taught before the midterm.

Policy on Student Attendance:

It is expected that you attend classes regularly. In the case of emergency when you must skip a class, it is your sole responsibility **to copy lecture notes from a classmate**. At least part of the exam material will be based on lectures and not on the textbook.