Econ 415: Advanced Macroeconomic Theory

Course Name: Advanced Macroeconomic Theory
Course Number: Econ 415
Course Credits: 4
Meeting Times Per Week: Twice a week for two hours per class
Prerequisites: Econ 201, Econ 202, Math 241 or 251, or equivalent

Course Outline

1. Macroeconomics: History and perspective
   - The questions and data of macroeconomics
   - The Keynesian program and the rational expectations revolution
   - Macroeconomics as dynamic general equilibrium analysis

   Readings:
   - Chapters 1 – 3 in text
   - “What do we know about macroeconomics that Fisher and Wicksell did not?” by O. Blanchard.

2. Microeconomics: A brief review
   - Utility maximization, goods demand, labor supply, substitution/income effect
   - Profit maximization, goods supply, labor demand, competitive factor prices
   - General equilibrium: Edgeworth box

   Readings: “Intermediate Microeconomics,” by Hal Varian, Chapters 4, 5, 6, 8 and 31.

3. A one-period general equilibrium model
   - Consumer behavior: goods demand and labor supply
   - Firm behavior: goods supply and labor demand
   - Government behavior: tax policies and budgets
   - General equilibrium: definition and analysis
   - Fiscal policy analysis
– Fiscal stimulus and crowding out
– Distortionary taxes

• Productivity shocks
• Limitations of the model

Readings: Chapters 4 – 5 in text

4. A two-period endowment economy

• Consumer behavior: Demand and supply of goods and claims
• Temporary vs Permanent income effects
• General equilibrium: definition and analysis
• Fiscal policy: temporary vs permanent effects
• Ricardian equivalence
• Credit market imperfections
• Limitations of the model

Readings: Chapter 8 in text

5. A two-period production economy

• Consumer behavior: goods demand and labor and capital supply
• Firm behavior: goods supply and labor and capital demand
• General equilibrium: definition and analysis
• Fiscal policy: crowding out of investment
• Productivity shocks: surprise and anticipated
• Limitations of the model

Readings: Chapter 9 in text

6. A two-period monetary economy

• Money: Introduction and history
• The cash-in-advance constraint
• Consumer behavior: Demand and supply of goods and money
• General equilibrium: definition and analysis
• Long run analysis: monetary neutrality
• Short run analysis: monetary non-neutrality
• Monetary policy
Limitations of the model

Readings: Chapters 10 and 15 in text

7. Business Cycles

- Cycles in the data
- Real business cycle models
  - Productivity shocks and aggregate fluctuations
  - Empirical assessment
- Coordination failure models and aggregate fluctuations

Readings: Chapter 11 in text

8. Keynesian business cycle theory

- History and perspective
- Pricing frictions: goods and labor markets
- IS-LM
- AS-AD
- Fiscal and monetary policy implications
- Limitations of the model

Readings: Chapter 12 in text

Student Learning Outcomes: Per university policy, we now specify student learning outcomes for all courses. According to the Office of Academic Programs, student learning outcomes are specific statements indicating an understanding, knowledge, or skill-set that a successful student will have obtained upon the completion of a course. Students will be able to

1. assess the impact of budget neutral and deficit financed expansion of government expenditures;
2. characterize and intuit the impact of productivity shocks on real wages, consumption, and welfare;
3. understand the subtle relationships between taxation, efficiency, and short run fluctuations in gdp;
4. understand the role of money and the short and long run effects of changes in its supply.
Evaluation of Student Performance: Homework will be assigned weekly and worth 10% of your grade. There will be one midterm, worth 40% of your grade; the final exam will be worth 50% of your grade. There are no make-up exams in this course. If you have a documented, legitimate excuse and you miss the midterm exam, the final exam will be given extra weight. In compliance with university policy, if you miss the final without approval, you will receive a score of zero on the final.

Learning Resources:


Disabilities: Accommodations are collaborative efforts between students, faculty and Disability Access Services (DAS). Students with accommodations approved through DAS are responsible for contacting the faculty member in charge of the course prior to or during the first week of the term to discuss accommodations. Students who believe they are eligible for accommodations but who have not yet obtained approval through DAS should contact DAS immediately at 737-4098.

Academic Dishonesty: Plagiarism, fabrication, cheating, and facilitating the academic dishonesty of others are serious offenses and may be punished by failure on the exam or paper, failure in the course, and/or expulsion from the university. Refer to http://oregonstate.edu/admin/stucon/achon.htm for more information.