Fall 2006                             Instructor: Lee H. Endress
Lecture: TR 6:00pm – 8:00pm          Office: Saunders 505
Room: BUSAD G103                      Phone: 971-8953
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**Course Descriptions:** This course is an introduction to macroeconomic theory and analysis. A major theme of the course will be macroeconomic dynamics with emphasis on the neoclassical foundations of investment, capital theory, economic growth, and monetary theory. We begin with review of basic macroeconomic models and their dynamics, including IS-LM and AS-AD. Three sessions will be devoted to the consideration of open economy macroeconomics. The course will then introduce the technology of optimal control through the study of capital theory and investment. Optimal control and other dynamic methods will be applied to basic models of economic growth (Solow, Ramsey). Next we consider models of overlapping generations and their use in policy analysis of issues such as social security. Then, using neoclassical models, we will study the role of money in the economy. Finally, as time permits, we will consider advanced topics, including finite horizon models, investment with adjustment cost, and models of endogenous growth.

**Required Texts:**
Barro and Sala-i-Martin, *Economic Growth* (*2nd Ed.*), MIT, 2004

**Optional Text:**

**Other References:**

**Grading:**
- Final Exam: 40%
- Midterm I: 20%
- Midterm II: 20%
- Homework: 15%
- Participation: 5%
SYLLABUS

Topic 1: Basic Macro Models (3 sessions: Aug 22, 24, 29)
Heijdra /Van der Ploeg, chapters 1 and 2 (section 2.1)
Romer, chapter 5

Topic 2: Intro to Open Economy Macroeconomics (3 sessions: Aug 31, Sept 5, 7)
Heijdra/Van der Ploeg, chapter 11 (section 11.1)

Topic 3: Economic Dynamics and Optimal Control (4 sessions: Sept 12, 14, 19, 21)
Barro/Sala-i-Martin, appendix A.1, A.3
Heijdra/Van der Ploeg, appendix A.5, A.8
Dorfman (1969), Ramsey (1928)

Midterm I (Sept 26)

Topic 4: Solow-Ramsey Growth Models (5 sessions: Sept 28, Oct 3, 5, 10, 12, 17)
Barro/Sala-i-Martin, chapters 1 and 2
Romer, chapters 1 and 2
Heijdra/Van der Ploeg, chapter 14
Mankiw et al (1992), Weitzman (1976)

Topic 5: Models of Overlapping Generations (4 sessions: Oct 19, 24, 26, 31)
Heijdra/Van der Ploeg, chapter 17
Romer, chapter 2
Diamond (1965), Blanchard (1985)

Midterm II (Nov 2)

Topic 6: Money (4 sessions: Nov 9, 14, 16, 21)
Heijdra/Van der Ploeg, chapter 12
Brock (1975), Sidrauski (1967)

Topic 7: New Growth Theory (4 sessions: Nov 28, 30; Dec 5, 7)
Barro/Sala-i-Martin, chapter 4
Romer, chapter 3
Heijdra/Van der Ploeg, chapters 14 and 16 (selected sections)

Final: Dec 12 (Tuesday), 6:00pm – 8:00pm
PAPERS

Neoclassical Foundations


Growth Theory


Overlapping Generations Models


Money and Inflation
