UNIVERSITY OF HAWAII AT MANOA

DEPARTMENT OF ECONOMICS

Economics 609*
Macroeconomic Theory II

Fall 2003
Lecture: TR 6:00pm – 8:00pm
Room: BUSAD C102

Instructor: Lee H. Endress
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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. 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 various models of economic growth. Next we consider models of overlapping generations and their use in policy analysis of issues such as national debt and social security. Three sessions will be devoted to the study of real business cycle theory (taught by Dr. Xiaojun Wang). Finally, using neoclassical models, we will study the role of money in the economy.

Required Texts:
Heijdra and Van der Ploeg, Foundations of Modern Macroeconomics, Oxford, 2002

Recommended Text:

Other References:
Aghion and Howitt, Endogenous Growth Theory, MIT, 1998
Barro and Sala-I-Martin, Economic Growth, MIT, 1999
Blanchard and Fischer, Lectures On Macroeconomics, MIT, 1989

Grading:
Final Exam: 40%
Midterm Exam: 30%
Homework: 20%
Participation: 10%

* Note: With the exception of three sessions on real business cycle theory, taught by Dr. Xiaojun Wang, ECON 609 will be taught jointly with ECON 607 by Dr. Lee H. Endress. Each class, however, will be graded separately. Student performance will only be assessed within each class rather than across the two classes. Each class will receive separate exams.
SYLLABUS

**Topic 1: Review of Basic Macro Models** (4 sessions: Aug 26, 28; Sept 2, 4)
- Heijdra /Van der Ploeg, chapters 1 and 2
- Romer, chapter 5

**Topic 2: Economic Dynamics and Optimal Control** (4 sessions: Sept 9, 11, 16, 18)
- Heijdra/Van der Ploeg, chapters 2 and 4
- Weitzman, chapters 1 and 2
- Dorfman (1969)
- Ramsey (1928)

**Topic 3: Models of Economic Growth** (6 sessions: Sept 23, 25, 30; Oct 2, 7, 9)
- Heijdra/Van der Ploeg, chapter 14
- Romer, chapters 1, 2A, and 3
- Mankiw (1992, 1995)
- Lucas (1988)
- Romer (1986)

**Midterm:** Oct 14 (Tuesday), 6:00pm – 7:30pm

**Topic 4: Models of Overlapping Generations** (4 sessions: Oct 16, 21, 23, 28)
- Heij德拉/Van der Ploeg, chapters 16 and 17
- Romer, chapter 2B
- Blanchard (1985)
- Diamond (1965)

**Midterm Review:** Oct 30 (Thursday), 6:00pm – 7:30pm

**Topic 5: Real Business Cycle Theory** (3 Thursday sessions: Nov 6, 13, 20)*
- Heijdra/Van der Ploeg, chapter 15
- Romer, chapter 4
- Campbell (1994)

**Topic 6: Money** (4 sessions: Dec 2, 4, 9, 11)
- Heijdra/Van der Ploeg, chapter 12
- Brock (1975)
- Sidrauski (1967)

**Final:** Dec 16 (Tuesday), 6:00pm – 8:00pm

* Note: Topic 5 is for ECON 609 students only and will be covered by Dr. Xiaojun Wang over the three Thursday sessions indicated. There will be no class for ECON 609 on Tuesdays Nov 4, 18, and 25.
PAPERS

Neoclassical Foundations


Growth Theory


Overlapping Generations Models


Real Business Cycle Theory


Money and Inflation
