

MSQE  
PROGRAM

Michael Binder  
Sebastian Schmidt

**Macroeconomics Pre-Semester Course 2008**

**Ph.D. Program in Economics and MSQE Program (Economics Track)**

**Syllabus**

(Version September 1, 2008)

**Note:** The course “Advanced Macroeconomic Theory I” of the Ph.D. Program in Economics and the MSQE Program (Economics Track) in the academic year 2008/2009 will have two components: an entrance examination based on the contents of the Macroeconomics Pre-Semester Course (the entrance examination will be given on October 17, 2008 from 9:00 am to 10:30 am, counting 10% towards the overall course grade); and a course component taught during the fall semester (counting 90% towards the overall course grade).

**Instructor:** Sebastian Schmidt (seschmid@wiwi.uni-frankfurt.de).

**Time:** September 8 to September 12, every day from 10:00 am to 12:00 pm and from 1:00 pm to 3:00 pm.

**Location:** House of Finance, Dubai Room.

**Prerequisites:** Students are expected to have a solid undergraduate background in mathematics. Students missing some of this background are expected to have worked through the following references *prior* to the beginning of the course:

- Chiang, A.C. and K. Wainwright (2005): *Fundamental Methods of Mathematical Economics*, Boston: Mc Graw-Hill Irwin, Chapters 1 through 13.

**Course Texts:**

- Birch Sørensen, P. and H.J. Whitta-Jacobsen (2005): *Introducing Advanced Macroeconomics: Growth & Business Cycles*, New York: McGraw-Hill.
- Heijdra, B.J. and F. van der Ploeg (2002): *Foundations of Modern Macroeconomics*, Oxford: Oxford University Press.

## **Course Outline:**

### *Economic Growth: Exogenous Growth Models* (Day 1)

1. Stylized Facts about Economic Growth
2. The Basic Solow Model
3. The Solow Model for a Small Open Economy

#### *References:*

Birch Sørensen and Whitta-Jacobsen, Chapters 1 to 3.

### *Economic Growth: Augmented Exogenous Growth Models* (Day 2)

1. The Solow Model with Technological Progress
2. The Solow Model with Human Capital
3. Endogenous Growth Models with Productive Externalities

#### *References:*

Birch Sørensen and Whitta-Jacobsen, Chapters 5, 6 and 8.

### *Business Cycles: Aggregate Demand and Aggregate Supply* (Day 3)

1. Consumption
2. Investment
3. Taylor Rule and Aggregate Demand
4. Phillips Curve Theory and Aggregate Supply

#### *References:*

Birch Sørensen and Whitta-Jacobsen, Chapters 14 to 18.

### *Business Cycles: Deterministic/Stochastic Cycles and Stabilization Policy* (Day 4)

1. Deterministic and Stochastic Cycles
2. Monetary Stabilization Policy
3. Fiscal Stabilization Policy

#### *References:*

Birch Sørensen and Whitta-Jacobsen, Chapters 19 to 21.

### *Intergenerational Macroeconomics* (Day 5)

1. Overlapping Generations: Blanchard-Yaari
2. Overlapping Generations: Diamond-Samuelson
3. Fiscal Policy: Non-Neutrality and Pensions

#### *References:*

Heijdra and van der Ploeg, Chapters 16 and 17.