

**Economics 443  
Advanced Economic Theory  
Fall 2008  
Bilkent University**

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**Office Hours: Monday 14:30-15:30 and Thursday 10:40-11:40**

**Textbook:**

Macroeconomics by Thomas Sargent. We will also draw upon various topics from Lectures on Macroeconomics by Blanchard and Fischer. Other course related reading materials will be either handed out in class, or placed at the reference section in the library.

**The objective of the course:**

The course aims to familiarize students with the mathematical methods and concepts of dynamic macroeconomic analysis. The classical and Keynesian models will be covered fairly rigorously. New generation of macroeconomic theories will also be noted, albeit at a fairly general level. The course is geared towards developing elementary skills in using methods of dynamic analysis (difference and differential equations and optimization.)

The course starts off with an in depth treatment of static classical and Keynesian models and their inherent features. General equilibrium and comparative static properties are derived using the standard mathematical techniques. Next, stability and optimization of dynamic macro economic systems are introduced at a fairly elementary level. The standard Ramsey growth model, and a model of investment with adjustment costs are studied to illustrate the usefulness of the mathematical techniques.

Students are strongly urged to participate in class as the course performance critically depends on your active interaction with the course material in a live learning environment. Every class will start with a student giving a ten-minute review of the material covered in the preceding two meetings.

Students are also asked to study and present an article in class. The presentation has to cover an analytical summary of the article as well as its findings.

**Grading:**

|              |                           |
|--------------|---------------------------|
| Midterm I    | In class, thirty percent. |
| Term project | Thirty percent.           |
| Presentation | Forty percent.            |

## **Tentative Schedule**

### **Weeks**

- 1) A general overview and introduction to methods of analysis in macroeconomics. Macroeconomic equilibrium and comparative statics.
- 2) Chapter 1 in Sargent, classical model
- 3) More on classical model
- 4) Chapter two in Sargent, Keynesian model
- 5) More on Keynesian model
- 6) Midterm I
- 7) Chapter II in Blanchard and Fischer, Ramsey model, Growth dynamics, stability. (Notes will be handed out).
- 8) Open economy extension to Ramsey Model, Blanchard and Fischer, Chapter II
- 9) Fiscal policy in Ramsey Model, Blanchard and Fischer, Chapter II
- 10) More on Fiscal Policy
- 11) "On the Mechanics of Economic Development," R.E. Lucas 1988, Journal of Monetary Economics. Download from JSTOR.
- 12) "Government Spending in a Simple Model of Endogenous Growth" R.J. Barro, 1990 Download from JSTOR
- 13) "Growth: With or Without Scale Effects," C.I. Jones, 1999, AER, Papers and Proceedings, 89 Download from JSTOR
- 14) Presentations