

Advanced Macroeconomics 2

Edition: Courses Autumn 2008

Course title: Advanced Macroeconomics 2

ECTS Credits: 7½

Duration: Fall

Department: Department of Economics

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Teaching method: Lectures and a term paper (mandatory)

Aim: Building on the course Advanced Macroeconomics 1, the purpose of this course is to explore a number of important extensions: implications of uncertainty and of imperfections in labor, goods, and financial markets. We study the basic choices (consumption/saving, labour supply, investment, price setting, ...) and their general equilibrium implications in the long run as well the short and medium run (business cycle fluctuations). We will also address issues in fiscal and monetary policy, including open economy aspects.

Course description: Endogenous labor supply and retirement in the Diamond overlapping-generations (OLG) model. OLG models in continuous time, budget policy and general equilibrium effects of public debt - Tobin's q and firms' investment decision - the housing market in macroeconomics - short-term and long-term dynamics of money, inflation and interest rates - costs and benefits of (moderate) inflation - macroeconomics with imperfect competition, nominal and real rigidities - the consumption/saving decision under uncertainty - different approaches to business cycle theory - credit and business cycles.

Recommended qualifications: It is a prerequisite to have taken the course, Advanced Macroeconomics 1, that is, to master macroeconomic models at a level corresponding to Romer: Advanced Macroeconomics, 2. ed., 2002 (chapters 1-2, 10-11), including knowledge of methods of intertemporal optimization (optimal control theory) and analyses of dynamic systems (difference and differential equations, phase diagrams etc.).

Assessment: Written closed-book examination (conditional on the term paper being accepted)

Teaching language: May be English