Bavarian Graduate Program in Economics
Frontiers in Macroeconomics – February 2007

Syllabus

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I. Objective

This course provides an introduction to modern macroeconomics from a dynamic general equilibrium point of view. We start with basic growth models, discuss recent advances in the theory of endogenous growth and the theory of business cycles, move on to the analysis of monetary economies, and conclude with a discussion of the macroeconomic consequences of imperfections in goods and labor markets. Throughout, we encounter methods and techniques that apply to deterministic and stochastic settings. They include, difference and differential equations, stability analysis, dynamic programming, and optimal control theory.

II. Literature

Useful graduate textbooks that cover a broad range of macroeconomic topics include Blanchard and Fischer (1989), *Lectures on Macroeconomics*, Ljungqvist and Sargent (2004), *Recursive Macroeconomic Theory*, and Romer (2006), *Advanced Macroeconomics*. On monetary topics, the classic references are Walsh (2003), *Monetary Theory and Policy*, and Woodford (2003), *Interest and Prices*. Most sections of this course use handouts, rely on chapters of these or more specialized books, and supplement these texts with journal articles.

logic and proofs are nicely presented in Velleman (2006).

III. Format

There are two classes in the morning and two lectures in the afternoon of each day. After lunch, there is time to work on problem sets that apply and deepen the understanding of the material discussed in class. The first lecture in the afternoon is devoted to the discussion of the problem sets.

IV. Preliminary Timetable

Monday, February 19, 2007

Introduction

- Romer (2006), *Advanced Macroeconomics*, Introduction

The Neoclassical View on Growth

- Barro and Sala-i-Martin (2004), *Economic Growth*, Introduction and Chapter 1
- Buchheim (1997), *Einführung in die Wirtschaftsgeschichte*, Chapter III
- Jones (2002), *Introduction to Economic Growth*, Chapter 1
- Romer (2006), Chapter 1
- Solow (1956), *A Contribution to the Theory of Economic Growth*
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• Solow (2000), *Growth Theory: An Exposition*

Models of Overlapping Generations

• Blanchard and Fischer (1989), Chapter 3
• Barr and Diamond (2006), *The Economics of Pensions*
• Barro and Sala-i-Martin (2004), Chapter 3
• de la Croix and Michel (2002), *A Theory of Economic Growth*, Chapters 1–3
• Irmén (2007c), *Lecture Notes – Models of Overlapping Generations I*

Tuesday, February 20, 2007

Consumption and Investment – The Ramsey Problem

• Blanchard and Fischer (1989), Chapter 2
• Heer and Maußer (2005), *Dynamic General Equilibrium Modelling*, Chapter 1
• Romer (2006), Chapter 2
• Ljungqvist and Sargent (2004), Chapters 1–4
• the classic articles Ramsey (1928), Cass (1965), and Koopmans (1965)

Wednesday, February 21, 2007

Stochastic Growth – The Brock–Mirman Model
• Brock and Mirman (1972), *Optimal Economic Growth and Uncertainty: The Discounted Case*

• Heer and Maußner (2005), Chapter 1

• Romer (2006), Chapter 4

• Stockey and Lucas (1989), Chapter 2

**The Neoclassical Growth Model in Continuous Time**

• Arnold (1997), *Wachstumstheorie*, Chapter 3

• Barro and Sala-i-Martin (2004), Chapter 2

• Blanchard and Fischer (1989), Chapter 2

• Romer (2006), Chapter 2

• Irmén (2007a), *Lecture Notes – Dynamic Optimization in Continuous Time*

• Irmén (2007d), *Lecture Notes – The Euler Equation – Discrete versus Continuous Time*

**Thursday, February 22, 2007**

**Endogenous Growth Theory**

• Arnold (1997), Chapter 8

• Barro and Sala-i-Martin (2004), Chapter 1.3, 4.1, 6.7

• Gancia and Zilibotti (2005), *Horizontal Innovation in the Theory of Growth and Development*


• Irmén (2007b), *Lecture Notes – Models of Endogenous Economic Growth – Variety Expansion*
Friday, February 23, 2007

Dynamic Monetary Economies

- Blanchard and Fischer (1989), Chapter 4
- Walsh (2003), *Monetary Theory and Policy*, Chapter 1 and 2

Goods and Labor Markets

- Blanchard and Fischer (1989), Chapter 9
- Blanchard and Giavazzi (2003), *Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets*
References


