

# Advanced Macroeconomics II

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University of Konstanz

M.Sc. in Economics

Summer Semester 2019

## Outline

The course covers advanced topics in dynamic macroeconomics. Departing from the benchmark models of complete and frictionless markets which are covered in the preceding course Advanced Macroeconomics I, this course emphasizes the role of heterogeneity and market incompleteness. The first part develops overlapping-generation models which are particularly useful for the analysis of social security and public debt. The second part covers the implications of market incompleteness for inequality among heterogeneous households. The third part deals with search frictions in the labor market which are helpful to analyze unemployment and labor market dynamics.

## Prerequisites

Advanced Macroeconomics I.

## Lectures

Lectures take place on Monday, 13:30-15:30, in room G 309.

## Tutorials

Tutorials take place on Monday, 15:15-16.45 (every two weeks) in room G 309.

## Grading

The course grade is based on the final exam (60%) and on homework assignments (40%). Students are expected to submit all five assignments and be ready to present their solution approaches in the tutorials. Printouts of the assignments must be submitted before the respective tutorial. Only the best four assignments will be considered for the final grade. Students are allowed to work together with classmates but have to submit individual solutions.

## Office Hours

Please send an e-mail to [alessandro.di-nola@uni-konstanz.de](mailto:alessandro.di-nola@uni-konstanz.de) to schedule an appointment. My office is F222.

## Course material

The course is based on material from different sources. Lecture presentation slides are available in ILIAS. Most topics can be found in one of the following books or lecture notes which are available in the library. Additional references will be mentioned in the lectures.

- [A] Acemoglu, D., Introduction to Modern Economic Growth, Princeton University Press, 2009.
- [Az] Azariadis, C., Intertemporal Macroeconomics, Blackwell, 1993.
- [F] Farmer, S., Macroeconomics of Self-Fulfilling Prophecies, MIT Press, 1999.
- [BF] Blanchard, O. and S. Fischer, Lectures on Macroeconomic, MIT Press, 1989.
- [K] Krueger, D., Macroeconomic Theory, Lecture Notes, 2012.
- [KHA] Krueger, D., An Introduction to Macroeconomics with Household Heterogeneity, Lecture Notes, 2016.
- [LS] Ljungqvist, L. and T. Sargent, Recursive Macroeconomic Theory, 3rd ed., MIT Press, 2012.
- [M] Miao, J., Economic Dynamics in Discrete Time, MIT Press, 2014.
- [P] Pissarides, C., Equilibrium Unemployment Theory, 2nd ed., MIT Press, 2000.
- [R] Romer, D., Advanced Macroeconomics, 4th ed., Mc Graw Hill, 2011.
- [S] Shimer, R., Labor Markets and Business Cycles, Princeton University Press, 2010.
- [W] Williamson, S., Notes on Macroeconomic Theory, Lecture Notes 2006.
- [PW] N. Petrosky-Nadeau and E. Wasmer, Labor, Credit, and Goods Markets: The Macroeconomics of Search and Unemployment, Mit Press, 2017.

## Schedule

1. Overlapping generations models

[LS] Ch. 9; [F] Ch. 6; [W] Ch. 10; [K] Ch. 8; [M] Ch. 16

2. Overlapping generations and economic growth

[R] Ch. 2; [A] Ch. 9; [W] Ch. 2; [K] Ch. 8; [Az] Ch. 7; [BF] Ch. 3; [M] Ch. 16

3. Incomplete markets and wealth inequality

[LS] Ch. 17, 18; [A] Ch. 17.4; [K] Ch. 10; [M] Ch. 8, 17

4. Job search and unemployment

[LS] Ch. 6; [RSW]; [W], Ch. 7

5. Search and matching models of the labor market

[P] Ch. 1,2; [W], Ch. 7; [RSW]; [S]; [R] Ch. 10; [LS] Ch. 28; [M] Ch. 18; [PW] Ch.1-2