

# Advanced Macroeconomics

## 7SSPN402

*Department of Political Economy*  
*King's College London*  
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### **Instructor:**

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### **Administrative support:**

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*Please read every section of this Syllabus fully and carefully before the module starts!*

## **I. Module Outline**

The aim of this module is to develop students' knowledge and skills in macroeconomic theory and to provide them with tools to address macroeconomic questions in practice. The module covers the main research topics in macroeconomics and is divided into three parts: (A) long-run growth; (B) short-run fluctuations; (C) key markets in the economy.

In Part A, the module discusses the modern treatment of growth models, focusing on neoclassical models and endogenous growth models. We will also analyse the role of history, institutions, and geography as fundamental causes of economic growth.

In Part B, the module studies Real Business Cycle theory and introduces students to state-of-the-art New Keynesian macroeconomic theory.

In part C we will introduce, develop and critically discuss modern models of financial markets and the labor market.

These three parts together will allow students to have a comprehensive introductory overview of modern macroeconomic theory.

## II. Educational Aims & Learning Outcomes

This module aims to:

- Provide students with an understanding of modern macroeconomic theory, including growth models, real business cycle models, New Keynesian models, models of financial markets and of the labor market.
- Allow students to understand and analyze macroeconomic policy.
- Provide students with advanced skills and knowledge to critically address contemporary macroeconomic issues, such as growth, inflation, unemployment, and financial instability.
- Provide students with the skills to implement macroeconomic models and use their skills to address macroeconomic policy and macroeconomic data.

By the end of the module, students will be able to:

- Understand the importance of macroeconomic models in the shaping of contemporary macroeconomic policy
- Understand the advantages and limitations of modern macroeconomic theory
- Use macroeconomic models to analyse macroeconomic issues and policy responses
- Contrast predictions of macroeconomic models with data.

## III. Course Organization, Materials and Resources

### A. Lectures and seminars

The course consists of 10 weekly two-hour lectures and 5 biweekly one-hour seminars. Please consult [your timetable](#) for the time & place of lectures and seminars.

#### a. Laptop ban in Lectures and seminars

*The use of laptops, tablets, smartphones and any other similar device is banned during this module's lectures and seminars.*

There is a lot of convincing research (see for example [here](#), [here](#), [here](#) or [here](#)) showing that college students learn less and earn worse grades when they use computers, tablets or smartphones during lectures, and that a student's use of a laptop harms also the learning of students around them. My personal experience confirms that. These negative effects are present even when laptops are exclusively used for taking notes (which they rarely are). If you have a valid reason for using your laptop or tablet in class (for example learning disabilities), we can discuss an exception.

B. Textbook

David Romer, Advanced Macroeconomics, 5th edition, 2018

The textbook is available to read online in eBook format through King's Library (<https://ebookcentral.proquest.com/lib/kcl/reader.action?docID=5662595>). There might also be a limited number of physical copies in the library that those of you who prefer a physical book can borrow. Of course, you always have the option to buy a physical copy of the book if you prefer.

C. Keats

Keats will be used to upload materials, make announcements, and administer assignments and quizzes.

D. Weekly readings

Reading regularly is key to success in this course. Every week, you will be assigned a reading, *to be done before the lecture*. The expected calendar of readings is outlined in Section V below.

E. Communications

I will often send you emails and post new materials on Keats. *To succeed in this module, you will need to stay updated by checking your KCL email and the Keats page of the course regularly.*

F. Contacting the instructor

The best way to get in touch with me is to send an email.

Office hours are on Monday 11.00 - 12.00 and Tuesday 10.30-11.30, usually online on Microsoft Teams – book by emailing me.

If you have feedback or concerns, feel free to bring them up with me – I will do my best to address them.

G. Policy about extensions requests for coursework

Please note that, per King's policy, the instructor cannot grant extensions for coursework. King's has a process called 'mitigating circumstances', where students can request deadline extensions on coursework if they are facing difficult circumstances. You can find information online, for example here:

<https://www.kclsu.org/help/advice/academicsupport/mc/>

H. Small group study rooms

Some rooms have been reserved for you for 1 weekly hour of (unsupervised) individual or group study after the lecture. Your allocated one will appear in your timetable as 'Small Group'. This is entirely optional—you can use it if/when you need a place where to study after the lecture, as long as they create no clash of activities.

## **IV. Module sections and topics**

### **1. Introduction**

#### *Part A: Long-run growth*

### **2. Economic growth (I): the mechanics of capital accumulation and growth**

#### **2.1.The Harrod-Domar growth model**

#### **2.2.The Solow growth model**

#### **2.3.Ramsey-Cass-Koopmans model & Overlapping Generations model**

#### **2.4.Endogenous growth theory**

### **3. Economic growth (II): Ideas, history, geography and institutions**

#### **3.1.Fundamental causes of growth: History, geography, and institutions**

#### *Part B: Short-run fluctuations*

### **4. Fluctuations I: Real Business Cycle theory**

#### **4.1.The RBC model**

### **5. Fluctuations II: New Keynesian theory**

#### **5.1.Key elements of New Keynesian theory: The IS and PC curves**

#### **5.2.A simplified New Keynesian model**

#### *Part C: Key markets in the economy*

### **6. Financial markets**

#### **6.1.Money and financial markets**

#### **6.2.Financial instability: the Diamond-Dybvig Model**

### **7. Labor market**

#### **7.1.Efficiency-wage models**

#### **7.2.Search and matching models**

## V. The Plan

Following is a *tentative* schedule for the course. Take it as a broad indication: it is subject to change based on how fast or slow we will go as a group. Any change will be announced in advance as much as possible. Please refer to Keats for an updated schedule and for all module deadlines.

Week	Reading (due before lecture)	Lecture Day & Topic	Seminar Topic
6	Lecture notes	<i>Sep 27</i> Macro facts & brief history of Macro; Harrod-Domar growth model.	-
7	Romer Ch.1	<i>Oct 4</i> The Solow growth model	Review & exercises: Solow growth model.
8	Romer Ch.1	<i>Oct 11</i> Ramsey-Cass-Koopmans model & Overlapping Generations model	-
9	Romer Ch.3	<i>Oct 18</i> Endogenous growth theory	Review & exercises: RCK, OLG, Romer models
10	Romer Ch.4 + other materials on Keats	<i>Oct 25</i> Fundamental causes of growth: History, geography, and institutions	-
11	No new reading	Reading week (Oct 28 to Nov 1) No lectures or seminars.	
12	Romer Ch.5	<i>Nov 8</i> The Real Business Cycle model	Review & exercises: RBC model
13	Romer 6.1 & 6.4 + lecture slides.	<i>Nov 15</i> Key elements of New Keynesian theory: The IS and PC curves	-
14	Lecture notes + Romer 7.8	<i>Nov 22</i> A simplified New Keynesian model	Review & exercises: New Keynesian theory
15	Lecture notes + Romer Ch.10	<i>Nov 29</i> Financial markets	-
16	Romer Ch.11	<i>Dec 6</i> Labor market	Review & exercises: Financial markets & labor market

Romer = David Romer "Advanced Macroeconomics", 5<sup>th</sup> Edition

*Each week's reading is due before the Friday lecture.*

## **VI. Assessment Methods**

The course requirements consist of:

- Coursework Assignment: 50%
- Final Exam: 50%

The (take-home) coursework will consist in a set of exercises. It will be administered and submitted via Keats. It will be due on 18 December 2024.

The date of the final exam will be communicated to you by the post graduate program.

## **VII. Accommodations for disability**

King's is committed to disability equality and inclusion so that all disabled people and those with long term conditions are included and feel valued, and that barriers are understood and overcome.

For more information:

<https://www.kcl.ac.uk/disability>

## **VIII. Academic honesty & integrity**

Please make sure you are familiar with King's policy on academic honesty and integrity, and with the guidelines on avoiding plagiarism.

<https://www.kcl.ac.uk/campuslife/acservices/conduct/201920-documents/student-guidance-on-academic-honesty-integrity.pdf>