

Econ 9454 Advanced Macroeconomic Theory II, Part 1

Spring 2019, first 8 weeks
TR 11:00pm - 12:15pm
Location: Gwynn Hall 223

Instructor: Chao Gu
Office: 328 Professional Building
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Office hour: TR 1:30pm – 2:30pm

The purpose of this course is to further develop one's understanding of the modern theories in macroeconomics. We will learn dynamic models that are developed to study aggregate economic behavior. Meanwhile, I will familiarize you with the tools (workhorses) that are commonly used in modern macroeconomics.

Reference book:

Recursive Macroeconomic Theory (RMT) by Lars Ljungqvist and Thomas Sargent.

Course Requirement:

There will be one exam in the 8th week of the semester. Problem sets will be assigned periodically. Although problem sets are not part of your grade, you are urged to complete each of them as they are essential to preparing for the class exam.

Exam

Tuesday, March 12, 2019, in class.

Make-up Policy:

Make-up exams will generally not be given. A request for alternative arrangements must be in writing and must be accompanied by appropriate documentation for not taking the scheduled exam.

Course Canvas:

There is a course canvas to support the class (<https://missouri.instructure.com>). Course information, extra practice materials and announcements can be found on the course canvas. You may also check your grades on the course canvas site.

Course Outline:

1. Endogenous growth model
 - Lucas, R.E. 1987, *Models of Business Cycles*, Basil Blackwell, New York.
 - Lucas, R.E. 1988, "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22, 3-42.
 - Parente, S. and Prescott, E. 2000. *Barriers to Riches*, MIT Press.
2. Asset pricing
 - RMT Ch. 13 and 14.

- Lucas, R. 1978. "Asset Prices in an Exchange Economy", *Econometrica* 46, 1426-1445.
- Mehra, R. and Prescott E. 1985. "The Equity Premium: A Puzzle", *Journal of Monetary Economics* 15, 145-162.
3. Search, matching and Unemployment
RMT Ch. 6
McCall, J. 1970, "Economics of Information and Job Search," *Quarterly Journal of Economics* 84, 113-126.
Diamond, P. 1982. "Wage Determination and Efficiency in Search Equilibrium," *Review of Economic Studies* 49, 217-227.
Lucas, R. and Prescott, E. 1974. "Equilibrium Search and Unemployment." *Journal of Economic Theory*, 7(2), 188-209.
4. Search and money
RMT Ch. 29
Kiyotaki, N. and Wright, R. 1989. "On Money as a Medium of Exchange," *Journal of Political Economy* 97, 927-954.
5. Financial fragility
Diamond, D. and Dybvig, P. 1983, "Bank runs, deposit insurance, and liquidity," *Journal of Political Economy* 91, 401-419.
Wallace, N. 1988, "Another attempt to explain an illiquid banking system: the Diamond and Dybvig model with sequential service taken seriously," *Federal Reserve Bank Minneapolis Quarterly Review* 12, 3-16.
Wallace, N. 1990, "A banking model in which partial suspension is best," *Federal Reserve Bank Minneapolis Quarterly Review* 14, 3-16.
Peck, J. and Shell K., 2003, "Equilibrium bank runs," *Journal of Political Economy* 111, 103-123.

Academic Integrity

Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

Accommodation of Disabilities

If you anticipate barriers related to the format or requirements of this course, if you have emergency medical information to share with me, or if you need to make arrangements in case the building must be evacuated, please let me know as soon as possible.

If disability related accommodations are necessary (for example, a note taker, extended time on exams, captioning), please establish an accommodation plan with the Disability Center (<http://disabilitycenter.missouri.edu>), S5 Memorial Union, 573- 882-4696, and then notify me of your eligibility for reasonable accommodations. For other MU resources for persons with disabilities, click on "Disability Resources" on the MU homepage.

Intellectual Pluralism

The University community welcomes intellectual diversity and respects student rights. Students who have questions or concerns regarding the atmosphere in this class (including respect for diverse opinions) may contact the Departmental Chair or Divisional Director; the Director of the Office of Students Rights and Responsibilities (<http://osrr.missouri.edu/>); or the MU Equity Office (<http://equity.missouri.edu/>), or by email at equity@missouri.edu. All students will have the opportunity to submit an anonymous evaluation of the instructor(s) at the end of the course.

Academic Inquiry, Course Discussion and Privacy

University of Missouri System Executive Order No. 38 lays out principles regarding the sanctity of classroom discussions at the university. The policy is described fully in section 200.015 of the Collected Rules and Regulations. In this class, students may not make audio or video recordings of course activity, except students permitted to record as an accommodation under section 240.040 of the Collected Rules. All other students who record and/or distribute audio or video recordings of class activity are subject to discipline in accordance with provisions of section 200.020 of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters. Those students who are permitted to record are not permitted to redistribute audio or video recordings of statements or comments from the course to individuals who are not students in the course without the express permission of the faculty member and of any students who are recorded. Students found to have violated this policy are subject to discipline in accordance with provisions of section 200.020 of the Collected Rules and Regulations of the University of Missouri pertaining to student conduct matters.