



**SUMMER 2020**  
**ECON 496 ADVANCED MACROECONOMIC THEORY**  
**PART I**

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**Instructor** : İsmail Sağlam (joint with Ozan Ekşi, who will teach Part II)  
**E-mail** : [isaglam@etu.edu.tr](mailto:isaglam@etu.edu.tr)  
**Class Room** : <https://uzak.etu.edu.tr/>  
**Class Hours** : Tuesday 13:30 - 15:20 & Friday 10:30 - 12:20  
**Office Hours**: TBA (also by appointment)  
**Web Page** : [piazza.com/etu.edu.tr/summer2020/ikt496](https://piazza.com/etu.edu.tr/summer2020/ikt496)

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**Course Objective:**

This is an advanced course in macroeconomic theory. Starting with the basic facts of economic growth and long-run economic development; in the first part of the course we will mainly use continuous time optimization techniques to study modern growth theory, including neoclassical and endogenous growth models. These models will help us understand underlying reasons behind the large international income and income growth rate differentials. We will also study the overlapping generations framework, which is crucial to analyze many different economic models with potentially many, sometimes inefficient equilibria. We will conclude the first part of the course with intertemporal job search using dynamic programming.

**Course Requirements:**

Each week an assignment will be given. Assignments will be due one week after being assigned and no late assignments will be accepted. Students can work together on homework assignments; but *must* write up their answers independently. For similar answers, there will be huge penalty discounts. There will be one exam for the first part of the course. Your grade will be based only on your performance on the mentioned activities.

**Grading for Part I:**

Homeworks : 15%  
Midterm Exam : 35%

### Recommended Texts:

[DA] Daron Acemoglu, *Introduction to Modern Economic Growth*, Princeton University Press, 2009.

[B-F] Olivier J. Blanchard and Stanley Fischer, *Lectures on Macroeconomics*, MIT Press, 1989.

[B-SM] Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, McGraw Hill, 2003.

[L-S] Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, Second Edition, MIT Press, 2004.

[R] David Romer, *Advanced Macroeconomics*, Fourth Edition, McGraw-Hill/Irwin, 2011.

### Course Outline:

Week	Topic
1	Harrod-Domar and Solow Growth Models
2-3	The Neoclassical Growth (Ramsey) Model
3-4	Endogenous Growth Models
5	Overlapping Generations Model
6	Intertemporal Job Search

### Class Rules:

1. **Attendance:** Students are required to attend to at least 70% of classes in order to get a letter grade other than U.
2. **Disruptive Behaviors:** Disruptive behaviors are not permitted. Students with repetitive and disruptive behavior may be removed from class.
3. **Plagiarism, Cheating and Collusion:** Students are expected to refrain from any form of plagiarism, cheating and collusion. Cheating, plagiarism, and collusion are serious offenses resulting in a grade penalty and disciplinary action.
4. **Exams:** The exam in the first part will cover all material that is taught during the class or assigned to students.
5. **Make-up Exams:** A make-up will be given under the conditions accepted by the Institute. Make-up exams will not be easier than the regular exam. There will be no make-up of homeworks or make-up exams.
6. **Grade Changes:** A grade change will be made only in the unlikely case of an error of fact.



**SUMMER 2020**  
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**PART II**

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**Instructor** : Ozan Ekşi  
**E-mail** : [ozaneksi@gmail.com](mailto:ozaneksi@gmail.com)  
**Class Room** : <https://uzak.etu.edu.tr/>  
**Class Hours** : Tuesday 13:30 - 15:20 & Friday 10:30 - 12:20  
**Office Hours**: TBA (also by appointment)  
**Web Page** : [ozaneksi.weebly.com](http://ozaneksi.weebly.com)

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**Course Objective:**

The course aims to introduce graduate level macroeconomic theory to undergraduate students. The topics to be covered are Consumption, Unemployment, and Investment. Although the theory will be given at the graduate level, homeworks (and possibly exams) will be designed from questions that require basic understanding of the topics.

**Administrative Issues**

**Grading:** The grade will be based on an exam (%50). Each homework will weigh 5% of the course, and for each of them the weight of the exam will fall by 5%. You are allowed (and advised) to do the homeworks in a group of 2 people, but not more.

**Recommended Texts:**

[BB] Bagliano, F.C., and Bertola, G., *Models for Dynamic Macroeconomics*, 2004.

[BS] Barro, R. J., and Sala-i-Martin, X. *Economic Growth*. 1998.

[Deaton] Deaton, A., *Understanding Consumption*, 1993.

[Heijdra] Heijdra, B. J., *Foundations of Modern Macroeconomics*, 2009.

[Pissarides] Pissarides, C. A., *Equilibrium Unemployment Theory*, 2017.

[Romer] Romer, D., *Advanced Macroeconomics*, 2018.

## Course Outline and Reading List

### **Week 7 to 9 : Consumption**

- \* Dynamic Programming and the Standard Consumption Problem
- \* Permanent Income Hypothesis
- \* Precautionary Savings
- \* Asset pricing, consumption CAPM and the equity premium puzzle

#### **Reading List:**

- \* (Main Reading) [BB] Sections: (1.1, 1.3, 1.4) and Appendix A1
- [Deaton]
- [Romer]

### **Week 10 to 11 : Unemployment**

- \* Search and Matching Model of Mortensen and Pissarides

#### **Reading List:**

- \* [Pissarides] Sections: (1.1-1.5)

### **Week 11 to 12 : Investment**

- \* Tobin's  $q$
- \* Investment with Adjustment Costs

#### **Reading List:**

- \* [Romer] Ch 9
- \* [Heijdra] Ch 4

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