

COURSE CONTENT

Course Coordinator	Tang Yang
Course Code	HE3002
Course Title	Macroeconomics III
Pre-requisites	HE2002 Macroeconomics II
No of AUs	3
Contact Hours	39 hours (2 hours lecture, 1 hour tutorial per week)

Course Aims

This is an advanced course in Macroeconomics. The primary interest in Macroeconomics is the entire economy. The course will cover a series of frontier research related to economic growth and development, asset pricing and monetary policy, international finance and trade, and other contemporary issues on income and firm distribution. In this course we study the aggregate economy by developing theoretical models with solid microfoundations, and this implies that i) we use models populated by agents (households, firms, and government) that optimize their own behavior, and ii) the implied equilibrium allocations that result from the behavior of agents satisfy aggregate consistency conditions (essentially market clearing). Understanding the concept of equilibrium will then be the single most important theoretical tool of the course.

Intended Learning Outcomes (ILO)

By the end of this course, you (as a student) would be able to:

1. identify and interpret the basic settings of mathematical models that study economic growth and development
2. describe the concept of market equilibrium, and analytically solve for the market equilibrium
3. examine the quantitative properties regarding to balanced growth path and structural transformation

Course Content

1. Economic Growth Theory:
 - 1.1. Neoclassical Growth Theory
 - 1.2. Elementary Endogenous Growth Theory:
 - 1.2.1. **The AK Model**
 - 1.2.2. Technology and Economic Growth
 - 1.2.3. Human capital and Economic Growth
2. Economic Development Theory
 - 2.1. The Big push theory
 - 2.2. Poverty trap
 - 2.3. Industrial transformation
 - 2.4. Demographic transition
3. Money, Finance and Long-run growth
 - 3.1. Basic "Lucas" asset pricing model
 - 3.2. OLG model with Money
 - 3.3. Financial intermediation and endogenous growth
4. International development and globalization
 - 4.1. Exchange rate determination and FDI
 - 4.2. Traditional "Grossman-Helpman North-South" international trade model

- 4.3. Frontier "Melitz-Eaton-Korum" international trade model
- 5. Contemporary issues in income and firm distribution
 - 5.1. Income distribution
 - 5.2. Growth, cycles and firm distribution
 - 5.3. Political institutions and distributive policies

Assessment (includes both continuous and summative assessment)

Continuous Assessment	:	100%
Total	:	100%

Reading and References

There will be no required text. However, the following textbooks may be useful for certain parts of the courses. The course may be demanding in the sense that I expect you to spend some time after class reading the relevant literature that I assign to you. To understand lecture notes and the assigned readings is critical for succeeding in the courses.

- Aghion, P. and P. Howitt (1998), Endogenous Growth Theory, MIT Press.
- Azaridis, C. (1993), Intertemporal Macroeconomics, Blackwell publisher.
- Blanchard, O. and S. Fischer (1990), Lectures in Macroeconomics, MIT Press.
- Barro, R. and X. Sala-i-Martin (1995), Economic Growth, McGraw-Hill.
- Romer, D. (1996), Advanced Macroeconomics, McGraw-Hill.
- Grossman, G. and E. Helpman (1991), Innovation and Growth in Global Economy, MIT Press.
- Ljungqvist, L. and T.Sargent (2000), Recursive Macroeconomic Theory, MIT Press.
- Stokey, N. and R. Lucas with E. Prescott (1989), Recursive Methods in Economic Dynamics, Harvard University Press.

Course Instructors

Instructor	Office Location	Email
Tang Yang	SHHK 04-56	tangyang@ntu.edu.sg

Planned Weekly Schedule

Week	Topic	Course LO	Readings/ Activities
1 -2	Economic growth theory: Exogenous growth	1	David Romer text, ch 1-2
3-4	Economic growth theory: Endogenous growth	1,2	David Romer text, ch 3
5	Economic growth theory: Overlapping Generation economy	1,2	David Romer text, ch 3
6	Quiz		
6-7	Economic development theory: The big push theory	1,2,3	Lecture notes
Recess Week			
8	Economic development theory: poverty trap	1,2,3	Lecture notes
9	Economic development theory: Industrial transformation	1,2,3	Lecture notes
10	Economic development theory: Demographic transition	1,2,3	Lecture notes
11-12	International Trade	1,2,3	Lecture notes
13	Issues in income distribution, Quiz	1,2,3	Lecture notes