

MACROECONOMICS (EKN 813)

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CONSULTING HOURS: By appointment only

CLASS HOURS: 16:30-19:00 (TUESDAYS)

VENUE: Tukkieurf 1-37

This is a core course in Macroeconomics for Masters students, and is a follow-up on the growth (long-run) models covered by **Prof. Yoseph Getachew**. I will primarily look at short-run components of macroeconomics dealing with formation of expectations and business cycles. Some mathematical pre-requisites, such as, good knowledge of differentiation, integration, difference and differential equations are essential for the class. **I will not spend time trying to brush-up on your mathematical ability again. Also, if you do not secure at least 40% in Professor Getachew's exam, I will not allow you to continue for my part of the course (No Exceptions!!!).**

Personally, I feel that there is no single good textbook that can be used to teach macroeconomics. As a result, there will be no text book for the class. I will be using a host of books and journal articles. However, I will make the relevant parts of the chapters and articles available to the students.

The basic framework for this course will be Dynamic Stochastic Macro Models in both Discrete and Continuous time-frame.

ASSESSMENT STRUCTURE

The final mark for EKN 813 will be calculated as follows:

Semester Test 50% (As taken by **Prof. Yoseph Getachew**)

Final Exam 50%

Final mark 100%

Course Outline: We will have 6 lectures. The following is a tentative outline:

(1) Econometric Policy Evaluation

Lecture I: [1 Class]

(i) The Lucas Critique

(2) Expectations [3 Classes] Lecture II:

(i) The Lucas Supply Curve

Lecture III:

(ii) Rational and Adaptive Expectations

(iii) Solving R/ATEX Models

(iv) Monetary Neutrality

Lecture IV:

(v) Fischer's (1977) Model of Staggered Wage Contracts and Non-Neutrality

(3) Business Cycles [2 Classes]

Lectures V and VI:

- (i) Business Cycle Facts*
- (ii) Hansen's (1985) Real Business Cycle Model*
- (iii) Introduction to Dynamic Optimization*
- (iv) Solving Real Business Cycle Models*

Review for the Final Exam

Final Exam [As per schedule.]

Text Books:

Some of the books that I will be drawing upon during the course are as follows (**Please note that I do not expect you to buy these books**):

- (a) Macroeconomics** (*Stephen D. Williamson*).
- (b) Advanced Macroeconomics** (*David Romer*).
- (c) Recursive Macroeconomic Theory** (*Lars Ljungqvist and Thomas J. Sargent*). [*****]
- (d) Frontiers of Business Cycle Research** (*Thomas F. Cooley Edited*).
- (e) Lectures on Macroeconomics** (*Olivier Jean Blanchard and Stanley Fischer*).
- (f) Introduction to Dynamic Macroeconomic Theory** (*George T. McCallum Jr. and Neil Wallace*).
- (g) Monetary Economics: Theory and Policy** (*Bennett T. McCallum*).
- (h) Introducing Advanced Macroeconomics: Growth and Business Cycles** (*Peter Birch Sorensen and Hans Jorgen Whitta-Jacobsen*).
- (i) Monetary Theory and Policy** (*Carl E. Walsh*).
- (j) Economic Growth** (*Robert J. Barro and Xavier Sala-i-Martin*).
- (k) Modelling Monetary Economies** (*Bruce Champ and Scott Freeman*).
- (l) Interest and Prices: Foundations of a Theory of Monetary Policy** (*Michael Woodford*)