

NORTHWESTERN UNIVERSITY

Advanced Topics in Macroeconomics 316

Fall, 2024

Professor Martin Eichenbaum

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BRIEF COURSE DESCRIPTION

This course examines the causes and consequences of growth and fluctuations in aggregate economic activity. We will pay particular attention to frontier cutting-edge macroeconomic models and how they are used in policymaking. A policy-making economist from the Federal Reserve will discuss how the Fed uses macro models in its decision-making process.

We begin by documenting the facts and reviewing existing evidence on the answers to the following questions. What are the determinants of long-term growth? How important are fluctuations in the modern U.S.? Who gains and who suffers most because of fluctuations? How is inflation related to economic fluctuations? We will then consider modern general equilibrium theories of growth and aggregate fluctuations.

TEXTBOOK AND CASE PACKET

The textbooks for the course are sections of

- (1) Advanced Macroeconomics, An Easy Guide, by Filipe Campante, Federico Sturzenegger, Andrés Velasco.
You can download a free copy at

<https://press.lse.ac.uk/site/books/m/10.31389/lsepress.ame/>

- (2) Advanced Macroeconomics, Advanced Macroeconomicd

Both books are on the course web page (see folder Files/Readings)

EVALUATION

The grade in this course will be based on a set of Homework Problems (40%), a Midterm Exam (30%) and a Final Exam (30%).

Midterm: Nov 7

Recitations: Friday 4:00 – 4:50 pm.

I will switch recitation class dates on the following dates:

Recitation on Oct 22. Class on Oct 25.

Recitation on Oct 29 , Class on Nov 1

No class on Nov 14, Make-up class on Nov 22

THE USE OF MATH IN THIS COURSE

The textbook and some of the readings use a fair amount of math. This should not intimidate you. I will provide you with handouts on the math and go through all derivations in class. In addition, I will provide many alternative non-math-based derivations of the material that are relevant to the applications we'll cover. All of the readings, except for the textbook, will be available on the course web page. **There is no way we will get through all the material on the syllabus!**

Syllabus

1. The Solow Growth Model
 - Campante et. al, Chapter 2.
2. Empirics of growth
 - Campante et. al, Ch. 7
3. Overlapping generations model
 - Campante et. al, Ch. 8
4. Application: Pensions systems and transitions
 - Campante et. al, Ch. 9
5. Real Business Cycle models
 - Campante et. al, Ch. 14
 - Class notes (posted on Canvas)
 -
6. The New Keynesian model and monetary policy
 - Class Notes
 - Romer, Ch.11, sections 11.5, 11.6, 11.7
7. Unemployment

- Romer, Ch. 10
- Class notes

8. Budget Deficits and Public Policy,
 - Romer, Ch. 12