

INTERNATIONAL UNIVERSITY OF JAPAN
Graduate School of International Relations

Academic Year: 2016/2017

Term: Winter

Course	Course code DCC5255	Course title Macroeconomics and Policy Analysis	
Name of Instructor	Chun-Hung Kuo		Credit Number: 2
Instructor's contact Information	Office# 327	Office Hours TBA	E-mail: chkuo@iuj.ac.jp
Class Schedule Day / Time	TBA		

Course Description:

This course is designed for the master students who are interested in advanced Macroeconomic studies and policy analysis. In this course, we introduce a set of building blocks for modern Macroeconomics containing (i) the sequential and recursive competitive equilibrium, (ii) two theorems of Welfare Economics, and (iii) dynamics programming. These building blocks are discussed in the frameworks of stochastic growth models and overlapping generation models. Using the proposed frameworks, we then discuss the designation of optimal fiscal and monetary policies. In particular, we focus on the Ricardian equivalence theorem and the Friedman's Rule from the perspective of dynamic macroeconomics. We also investigate the unemployment issues through the lens of the search-and-matching models.

Learning Objectives:

Students are expected to understand the following concepts and implement them mathematically:

- (1) The sequential and recursive equilibria;
- (2) A growth model in a dynastic setting;
- (3) A growth model in an overlapping-generation setting;
- (4) A Basic endogenous growth model;
- (5) Dynamic programming and the value function;
- (6) The Ricardian equivalence theorem;
- (7) The Friedman's rule
- (8) Labor market frictions and search-and-matching models

Career Relevance:

This materials covered in this course are relevant for economics studies in a higher level. Students who are interested in the generic logic of implementing fiscal and monetary policies will also obtain many

useful insights. Besides, this course is indispensable for studying Dynamic Stochastic General Equilibrium models, since the theme of this course is about the general equilibrium.

Course Context or Rationalization:

The course follows the mainstream of contemporary Macroeconomics. That is, macroeconomic theories should base on solid micro-foundations. This methodology has been widely adopted in topic universities around the world. Different from the traditional macroeconomic models lacking micro-foundations, models in this course are particularly suitable for policy analysis because they explicitly explain how people might react with policy changes.

Delivery Methods:

The course will follow the traditional lecturing form. Students are asked to take their own class notes.

Assessment:

Problem set: 50%

Final exam: 50%

Prerequisite:

There is no prerequisite for this course

Textbook(s)

Required:

Philippe Aghion and Peter Howitt, *The Economics of Growth*, The MIT Press, Dec. 2008. (ISBN-10: 0262012634; ISBN-13: 978-0262012638)

Reference books/Journal Articles:

Lars Ljungqvist and Tomas J. Sargent, *Recursive Macroeconomic Theory*, 3rd Edition, The MIT Press, August 2012. (ISBN-10: 0262018748; ISBN-13: 978-0262018746)

Stephen Williamson, *Macroeconomics*, 5th Edition (International Edition, paperback), Pearson, July 2013. (ISBN-10: 1292000457; ISBN-13: 978-1292000459)

Robert J. Barro, *Macroeconomics*, 5th Edition (hardcover), The MIT Press, October 1997. (ISBN-10: 0262024365; ISBN-13: 978-0262024365)

David Romer, *Advanced Macroeconomics*, 4th edition, McGraw-Hill/Irwin, March 29, 2011. (ISBN-10: 0073511374; ISBN-13: 978-0073511375)

MaCandless, George, *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*, Harvard University Press, 2008 (ISBN-13: 978-0-674-02814-2)

Class Outline	<ol style="list-style-type: none"> 1. Simple representative agent models 2. Simple representative agent models 3. Simple representative agent models 4. Growth of overlapping generations 5. Growth of overlapping generations 6. Neoclassical growth and dynamic programming 7. Neoclassical growth and dynamic programming 8. Neoclassical growth and dynamic programming 9. Neoclassical growth and dynamic programming 10. Choice under uncertainty 11. Choice under uncertainty 12. Consumption and asset pricing 13. Consumption and asset pricing 14. Search and unemployment 15. Search and unemployment 16. Search and unemployment 17. CIA and MIU models 18. CIA and MIU models 19. CIA and MIU models 20. Other topics
Others (if any)	The syllabus is subject to modification along the progress of the course.