

# INTERNATIONAL UNIVERSITY OF JAPAN

## Graduate School of International Relations

Academic Year: 2015/2016

Term: Winter

Course	Course code DCC5250	Course title Macroeconomics II	
Name of Instructor	Lin, Ching-Yang		Credit Number: 2
Instructor's contact Information	Office#:	Office Hours: TBA	E-mail:
Class Schedule Day / Time	TBA		

**Course Description:** This course continues the trainings in macroeconomic theory for students in the economics or international development program. The content of this course focuses on the modern business cycle theories. By studying these theories, we could understand the long-standing questions – what causes the business cycle, and what can we do about it?

The discussion starts from a two-period, competitive equilibrium model, by which we study consumer's optimal decisions on consumption, saving, and labor supply, and firms' decisions on production. Moreover, we explore how agents' decision and market prices change in response to the shocks in the economy (e.g. government spending shocks and productivity shocks).

Having the intuition drawn from a two-period model, we move further to study the real business cycle (RBC) model. RBC is the core framework of modern business cycle theories. By incorporating different frictions and shocks, topics such as optimal monetary policy, fiscal stabilization, and optimal exchange rate regime can be explored. In this course we will go through the necessary quantitative tools and concepts, including model linearization and calibration. In addition, some extension topics will also be covered.

**Learning Objectives:** The abstract theoretical models and their implications covered in this course are the fundamentals for the advanced macroeconomics classes. This course also provides the basic concepts, and those necessary analytical and quantitative techniques for conducting research in the field of macroeconomics.

**Career Relevance:** This course provides the knowledge and analytical skills for master students considering to work in job positions related to macroeconomics policy analysis, such as IMF, central bank and other research institution.

**Course Context or Rationalization:**

This course is the core course for first year student in the international development program and economics program. Course content provides necessary knowledge and analysis skill for other advanced theoretical course and applied courses (such as international trade, advanced macroeconomic, monetary theory).

**Delivery Methods:** This course is lecture-based. However, students are strongly encouraged to be involved in the discussion in class.

Assessment:

- The course grade will be based on your performance on assignments ( 3-5 times,15%), quiz (3-5 times, 10%), midterm (35%) and the final (40%).
- The purpose of assignments and quiz is mainly to help students review the materials. In addition, the instructor will also adjust the speed and focus of teaching based on student's performance.
- Students are encouraged to work together for the homework, but everybody are supposed to submit their own version.
- Dishonesty will not be tolerated in this course. This includes cheating, plagiarizing, copying another person's homework. Students who are found to be dishonest will receive "F" in the final grade of this course.

Prerequisite: All the required courses in the first year of International development/Economics program.

Textbook(s)

Required:

- Mankiw, Gregory N. "Macroeconomics." 8<sup>th</sup> ed., W.H.Freeman & Co Ltd, 2012.

Reference books/Journal Articles:

- Williamson, Stephen D. "Macroeconomics." Prentice Hall, 2010.
- McCandless, George. "The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models." Harvard University Press, 2008.
- Galí, Jordi. "Monetary Policy, inflation, and the Business Cycle: An introduction to the new Keynesian Framework. " Princeton University Press, 2009.
- Romer, David, and Chs Chow. "Advanced Macroeconomic Theory." Mcgraw-hill, 1996.
- Barro, Robert, and Sala-I. Martin. "Economic growth." Boston, MA, 1995.
- Barro, Robert J. Economic growth in a cross section of countries. No. w3120. National Bureau of Economic Research, 1991.
- King, Robert G., Charles I. Plosser, and Sergio T. Rebelo. "Production, growth and business cycles: I. The basic neoclassical model." Journal of monetary Economics 21.2 (1988): 195-232.
- King, Robert G., and Sergio T. Rebelo. "Resuscitating real business cycles." Handbook of macroeconomics 1 (1999): 927-1007.

1. Introduction – stylized facts of business cycle
2. A two-period competitive equilibrium model
3. Individual's response to productivity shocks
4. Effects of fiscal policy and monetary policy
5. RBC – Basic Model Framework)
6. Hansen's RBC Model
7. Calibration and Impulse Response Function
8. Discussion of Policy effects
9. Extensions: model with nominal rigidity

Others (if any)

