

21PD02 Advanced Macroeconomics I

Advanced Macroeconomics I

Fall Term - 6 ECTS

Mandatory Course

Prof. David Nagy

Prof. Jaume Ventura

Prerequisites to Enroll

None.

Overview and Objectives

The main goal of this course is to introduce students to the workhorse models of economic growth, which form the core of modern dynamic macroeconomics.

Course Outline

PART I: Overlapping-generations models (Prof. Jaume Ventura)

1. The Diamond Model

Overlapping generations; dynamic inefficiency; asset bubbles

Acemoglu (2009), Ch. 9 and 17.5.

Geerolf, F. (2018), "Reassessing Dynamic Inefficiency," working paper.

Piketty, T. and G. Zucman (2014), "Capital is Back: Wealth-Income Ratios in Rich Countries 1700-2010," Quarterly Journal of Economics.

Tirole, J. (1985), "Asset Bubbles and Overlapping Generations," Econometrica.

Martin, A. and J. Ventura (2012), "Economic Growth with Bubbles," American Economic Review.

2. Government Debt, Social Security and Redistributive Politics

Government debt; social security; redistributive politics

Lindbeck, A. and M. Persson (2003), "The Gains from Pension Reform," Journal of Economic Literature.

Rangel, A. (2003), "Forward and Backward Intergenerational Goods: Why is Social Security Good for the Environment?" American Economic Review.

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Hassler, J., J. V. Rodríguez Mora, K. Storesletten and F. Zilibotti (2003), "The Survival of the Welfare State," American Economic Review.

3. International Capital Flows

International borrowing and lending; international risk sharing; the effects of financial globalization.

Acemoglu (2009), Ch. 19.1-19.2.

Broner, F. and J. Ventura (2016), "Rethinking the Effects of Financial Globalization," Quarterly Journal of Economics.

Martin, A. and J. Ventura (2018), "The Macroeconomics of Rational Bubbles: A User's Guide," Annual Review of Economics.

PART II: Infinite-horizon models (Prof. David Nagy) Tentative reading list, subject to changes

1. A cake-eating problem

Infinite-horizon dynamic optimization in discrete time; the Bellman equation; contraction mappings; infinite-horizon optimal control, the maximum principle, transversality conditions

Acemoglu (2009), Ch. 5, 6 and 7

2. The Ramsey model

Dynamic competitive equilibrium; optimal growth; transition dynamics; technological progress

Acemoglu (2009), Ch. 8

3. Endogenous growth

The AK model; growth due to production externalities; growth due to expanding product variety

Acemoglu (2009), Ch. 11.1, 11.4, 12 and 13

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4. Growth in a world with trade: convergence

The Armington model of international trade; trade, specialization and the world income distribution

Acemoglu (2009), Ch. 19.4

Acemoglu, D. and Ventura, J. (2002): The world income distribution. Quarterly Journal of Economics 117, 659-694.

5. Growth in a world with trade: factor proportions and growth miracles

The Heckscher-Ohlin model with two countries and two sectors; economic growth in a Heckscher-Ohlin world

Acemoglu (2009), Ch. 19.3

Ventura, J. (1997): Growth and interdependence. Quarterly Journal of Economics 112(1), 57-84.

6. International technology diffusion, growth and trade

The Eaton-Kortum model; international idea flows, trade and growth

Alvarez, F., Buera, F. and Lucas, R. Jr. (2017): Idea flows, economic growth and trade. Unpublished manuscript.

Eaton, J. and Kortum, S. (2002): Technology, geography and trade. Econometrica 70(5), 1741-1779.

Required Activities

Problem Sets with the TA

Evaluation

Final exam

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Competences

- ☒ Capacity of utilization of the theoretical instruments of the to analyze situations of coherent form.
- ☒ Ability to make independent judgments and defend them dialectically.

Learning Outcomes

- ☒ Students should get an overview of economic and financial theory.
- ☒ Students must be able to recognize theories and present arguments with precise examples.
- ☒ Students will have the ability to understand how markets work and explain their weaknesses.

Materials

There is no textbook for this course. But we highly recommend that you complement the lectures and/or obtain a different perspective on the topics with the following textbook:

Acemoglu, D. *Introduction to Modern Economic Growth*, Princeton University Press, 2009.

All articles mentioned above are required as well.