

CHULALONGKORN UNIVERSITY

FACULTY OF ECONOMICS

Advanced Macroeconomics 2940602 (Part B)
First Semester, 2005
Office Hours: Friday 9.00-12.00

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COURSE DESCRIPTION

Modern economic theories have been extensively using mathematical approach to explain human's behavior and to rationally frame logics. Consequently, this course is designed to use *mathematics* to study the basis of modern-classic macroeconomic theories. We will cover various types of macroeconomic models, including a theory of consumption (the life-cycle/permanent income hypothesis), investment theory (such as the Tobin's q), a theory of unemployment and labor market, and lastly a model for inflation. If necessary, some mathematic tools will be introduced/reviewed along the course.

TEXTBOOKS

Required:

- Romer, D. (2001) *Advanced Macroeconomics*, McGraw-Hill.

Supplement:

- Blanchard, O. and S. Fischer. (1989) *Lectures on Macroeconomics*, MIT Press.
- Ljungqvist, L. and T. Sargent. (2004) *Recursive Macroeconomic Theory*, MIT Press.

EVALUATION (50 PERCENT)

The 50% of your second-half grade will be based on 2 exercises (10%) and the final examination (40%). The overall grade is the average of first part (Dr. Manachaya) and this second part.

COURSE OUTLINE

1. Consumption

- Consumption under certainty: The life-cycle/permanent-income hypothesis.
- Consumption under uncertainty

2. Investment

- Cost of capital
- Investment with adjustment cost
- The Tobin's q

3. Unemployment

- A Efficiency-wage model
- The Shapiro-Stiglitz model
- Search and matching model

4. Inflation and Monetary Policy

- Inflation, money growth, and interest rates
- The dynamic inconsistency of low-inflation monetary policy