WASHINGTON UNIVERSITY IN ST. LOUIS
Department of Economics

Macroeconomics II (ECON 502)    Spring 2019: Tu Th 1:00-2:30 PM (Seigle 204)
Professor: Ping Wang            Assistant in Instruction (AI): Kuldeep Singh
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Office Hours: Th 2:45-4 PM & By appointment Office Hours/Help Session: W 2:30-4 PM/F noon-1

COURSE DESCRIPTION:

This course is the second of a two-module, second-semester graduate-core course in Advanced Macroeconomics, covering the last 7 weeks from March 5 to April 25, with the first module covered by Professor Paco Buera. This module is devoted to fundamental as well as contemporary issues in growth theory and income distribution. It begins by reviewing the basics, followed by several advanced topics in macro dynamics, micro structures, as well as income, wealth and firm distribution and distributive politics. The main purpose of this course is to help you strengthen essential knowledge for Ph.D. learning and get ready for exploring the frontier of macroeconomic research should you elect to do so.

GRADING:

Your overall performance will be assessed based on (i) three homework assignments (20% each, about every two weeks) and (ii) an exam (on the university scheduled date; 40%). No reschedule of the exam or deferral of homework will be given except medical or family emergency. Your course grade will be the simple average of the grades received from the two modules.

TEXTS:


In addition to the above recommended textbook (not required), the following books may be useful at various occasions (no more than one or two chapters per book though). Some of these texts are particularly useful methodologically:

- Infinite-horizon continuous-time optimization: AH, BF, BS, GH
- Infinite-horizon discrete-time optimization: BF, SL
- Overlapping generations framework: AZ, GR
- Computational dynamic models: LS

(BF) Blanchard, O. and S. Fischer (1990), Lectures in Macroeconomics, MIT Press.
TIMETABLE:

3/5 Tue  Lecture A-1: Exploring the World of Growth and Development
3/7 Thu  Lecture A-2: Foundations of Dynamic Macroeconomic Analysis
3/19 Tue Lecture A-3: Endogenous Growth Theory
3/21 Thu Lecture A-4: Endogenous Growth Theory  (HW#1 distributed)
3/26 Tue Lecture A-4: Endogenous Growth Theory  (HW#1 due by 1:15 PM)
3/28 Thu Lecture B-1: Technology and Growth
4/2 Tue Lecture B-1/B-2: Technology and Growth/Human Capital and Growth
4/4 Thu Lecture B-2: Human Capital and Growth  (HW#2 distributed)
4/9 Tue Lecture B-3: Fertility Choice and Growth  (HW#2 due by 1:15 PM)
4/11 Thu Lecture B-4: Money, Finance and Growth
4/16 Tue Lecture C-1: Income and Wealth Distribution
4/18 Thu Lecture C-1: Income and Wealth Distribution  (HW#3 distributed)
4/23 Tue Lecture C-2: Firm Distribution  (HW#3 due by 1:15 PM)
4/25 Thu Lecture C-3: Institutions and Distributive Politics

WU Schedule  Exam: coverage A-3 to C-2

READINGS:  (* Required; + Recommended)

A.  Fundamentals in Growth Theory

1. Stylized Facts and Growth Empirics

*(AC), ch. 1.
+(BS), chs. 1, 2.
+(BC), ch. 1, “Introduction: A Quick Reference to Growth Theory.”
Averaging of Classical Estimates (BACE) approach,” NBER No. 7750.
Handbook of Economic Growth, 1, 473-552.
University-St. Louis.
2. **Fundamentals: Aggregate Production, Representative Agent, Welfare Theorems and Central Planner, Infinite-Horizon Optimization (Dynamic Programming and Optimal Control), Growth with Overlapping Generations, and Stochastic Growth**

*(AC), chs. 5 (representative agent, welfare theorems and central planning)
*(AC), chs. 6-7 & 9 (dynamic programming, optimal control and growth with overlapping generations)
+(AC), chs. 16-17, appendix A,B (stochastic dynamic programming and stochastic growth)
(AZ), chs. 7, 13 (basic growth models in discrete time with finite or infinite lifetime)
(BS), ch. 2 (Solow-Swan-Ramsey exogenous growth models)
(DR), ch. 2 (Solow-Swan-Ramsey exogenous growth models)
(BS), secs. 4.1-4.3 (introduction to endogenous growth theory – AK model & variations)
+(SL), chs. 3-5, 9-10.

3. **Basic One-Sector Models: from Constant to Variable Returns**

*(AC), ch. 11.
(AH), ch. 5.
(BS), ch. 4.

4. **Basic Multi-Sector Models: from Balanced to Nonbalanced Growth**

(AH), ch. 10.
(BS), ch. 5.
(GH), chs. 3, 4.
5. Transitional Dynamics and Local Indeterminacy


B. Sources of Economic Growth

1. Technological Changes, Adoption and Long-Run Growth
   *(AC), sec. 21.4.
   (AC), chs. 15, 18.
   (AH), chs. 2, 3.
   (GH), chs. 3, 4, 11, 12.

2. Human Capital, Learning and Long-Run Growth

*(AC), secs. 10.3 & 10.8.
3. Fertility Choice, Demographic Transition and Long-Run Growth

+(AC), sec. 21.2.
+BS), sec. 9.2.

4. Money, Finance and Long-Run Growth

(AC), secs. 21.1, 21.6.


C. Contemporary Issues in Income, Wealth and Firm Distribution and Distributive Politics

1. Income and Wealth Distribution


2. Firm Distribution, Growth and Cycles, and International Trade

3. Institutions and Distributive Politics

+(AC), chs, 22, 23.
(AH), ch. 9.
(DZ), ch. 8.
Constitutions, Coalitions, and Clubs,” AER, 102, 1446-76.
JPE, 123, 1038–1086.
+Daron Acemoglu, James A. Robinson, and Thierry Verdier (2017), “Asymmetric Growth and
institutions in an Interdependent World,” JPE (forthcoming).
Institutions and the Colonization of Hong Kong: A Staged Development Framework,” NBER
working paper #23937.