

ECON 7344 — MACROECONOMIC THEORY II

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WEB-page: <http://www.uh.edu/~bsorensen>

Hours: You can usually drop by anytime, sometimes I am out Thursday-Friday and sometimes I work home in the morning, so email for an appointment if you want to be sure (email is better than talking to me, I use my inbox to keep track of appointments).

Learning Outcomes:

- Students will learn, through lectures, homeworks, and TA-sessions, to master macroeconomic theory at a level that, in conjunction with other core-classes, enables the students to read research articles in leading journals.
- Students will develop their technical skills as it relates to macroeconomic theory to the level expected in graduate economics programs.
- Students will learn the basic ideas of stochastic macroeconomics.

Course Description

Readings:

Textbooks: Romer [R]: Advanced Macroeconomics, 3rd edition, McGraw-Hill Irwin 2006; Obstfeld and Rogoff [OR]: Foundations of International Macroeconomics, MIT 1996. The main textbook is R. From OR we will cover (parts of) Chapter 5 “Uncertainty and International Financial Markets” (the models are formulated in terms of countries, but are valid in many other settings, e.g., in terms of two consumers rather than two countries).

Note that, in principle, you are only required to understand the class-notes, so—for this class (pre-core-exam) do not read material in the book that is not covered in class unless you feel it helps you understand those topics.

Notes for many lectures will be posted on the class WEB-page. The class WEB-page will be accessible from my home page.

Material covered: This course complements Econ 6344. We start with Keynesian models and some criticisms of these (R. Chapters 5 and 6 because I want to make sure everybody understand this basic material. The core of the course Rational Expectations models (in particular the PIH consumption model) which student will have been exposed to but in this course we introduce rigorous time series tools which are essential for almost all current work in macroeconomics. At the end of the semester we cover the Arrow-Debreu model of perfect capital markets under uncertainty in (mainly) a two-period two states-of-the world setting (O.R. Chapter 5, although not all

subsections). All intuition for infinite period/infinite states model can be gained from this simple framework.

I will also assign lectures notes.

You may want to consult last years detailed syllabus for more specifics. Be aware that I make no commitment to follow last years class in detail, although I have no major changes planned.

Grading and assignments: There will be a final (likely in class on the last day of teaching, two midterms, and 8-10 homework assignments.

General advice: Make sure you understand the material after each topic is covered (don't suffer from the illusion that you will understand it better when exam-time draws near). If the point of some topic is not clear, ask questions in class and *see me in my office*—this is part of good study habits and without good study habits graduate studies don't go far. There really is only one dumb question, and that is the un-asked question. Why spend hours on something the teacher may be able to clear up in 2 minutes? I could go on, but you should consider it your duty to yourself to seek advice.