

M.Sc. Economics

Code:	017 909	Type:	M.Sc. 2011-2013 1 st year, fall 2011
Title:	Macroeconomics I		
Lecturer:	Christian Haefke		
ECTS:	3	Contact hours (per semester):	20
Semester:	Fall 2011	Frequency of the lecture:	Once a week
Dates:	September 29, 2011 until December 16, 2011		
Prerequisites:	Knowledge of constrained optimization		
Learning objectives (What are the intended learning outcomes? Which skills will be acquired?):			
<p>The goal of this introductory course is to discuss key issues in macroeconomics at an intuitive level. Important concepts that will act as building blocks for later models/courses are presented and developed in simple settings so that we can focus as much as possible on economic insights.</p>			
Content (Which professional competence and which contents will be imparted?):			
<ul style="list-style-type: none"> ▪ Introduction (1 lecture): administrative issues, basic definitions; empirical observations on the economy in the short and long run; Euler's theorem ▪ Investment (2 lectures): properties of the neoclassical production function; Inada conditions; user cost of capital, convex adjustment costs, average and marginal q; irreversibility, non-convex adjustment costs ▪ Consumption (2 lectures): interpretation of risk aversion; intertemporal elasticity of substitution; Random Walk Hypothesis; certainty equivalence; precautionary savings; borrowing constraints; excess smoothness, excess volatility; habit formation; keeping up with the Joneses ▪ Asset Pricing (1 lecture): consumption based asset pricing; no trade assumption; term structure; Equity Premium Puzzle; Modigliani-Miller-Theorem ▪ Labor Supply (1 lecture): Labor/leisure choice; Frisch elasticity of labor supply; extensive and intensive margins; empirical evidence ▪ Optimal Taxation (1-2 lectures): first best, second best; tax wedges; Laffer curve; ▪ Overlapping Generations Economy (1-2 lectures): balanced growth, Golden Rule, social security; government debt; Ricardian Equivalence; endogenous growth; AK structure, monopolistic competition; growth and innovation; 			
Teaching approach (Description of the learning and teaching methods):			
Lecture and group work			
Workload (Optional: definition of workload (ECTS), divided in pre-modules (e.g. pre-readings), core-modules (contact hours), post-modules (e.g. case studies)):			
Class: 18 hours, Practice sessions: 18 hours, Problem sets: 20 hours, preparation final exam: 14 hours, pre- and post processing of lectures: 20 hours			
Language of instruction (Information on the language of teaching):			
English			

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Obligatory literature (E.g. scripts, books, articles, cases, papers):

- For parts 1-5: slides handed out in the course of the semester.
- For part 6: Persson, T.; Tabellini, G.: "Political Economics", *MIT Press*, Cambridge, MA, 2000 (chapters 12 and 15).
- For part 7: Acemoglu, D. "Introduction to Modern Economic Growth", *Princeton University Press*, Princeton, NY, 2009 (Chapter 9).

Additional literature (E.g. books, articles, cases, papers):

- "Factor Demand with Output Price Uncertainty", Hartman, *AER* 1976, pp 675 – 681.
- "Tobin's Marginal q and Average q: A Neoclassical Interpretation", Hayashi, *Econometrica* 1982, pp 213 – 223.
- "Investment under Uncertainty", chapters 1&2, A. Dixit and R. Pindyck.
- "Understanding Consumption", chapters 1&2, A. Deaton.
- "Buffer Stock Saving and the Life Cycle/Permanent Income Hypothesis", Carroll, *QJE* 1997, pp 1-55.
- "Recursive Macroeconomic Theory", 2nd edition, chapter 13, L.Ljungqvist and T. Sargent.
- "Modern Labor Economics", chapters 6&7, Ehrenberg and R. Smith.

Mode of examination (Mode of the examinations and tests (e.g. oral or written examination, lecture, homework, papers, class participation):

There will be problem sets in the course, which will be handed out Thursday after class (as well as posted on the web) and are due the next week on Thursday at the beginning of class. The graded problem sets will be returned in the practice session. For the problem sets, the students are strongly encouraged to work in groups of up to three. The students may hand in one copy of the solutions for the group. In addition, there will be short quizzes after we have finished topics 2, and 4. The quizzes will take place in the practice sessions. They are relatively straightforward tests of your understanding of the material covered in class, whereas the problem sets will extend that material and will therefore be much harder. After the last session there will be a final exam, which will cover the material of the whole course.

Grading:

The problem sets in the course will count for 20% of the course grade (the average of all problem sets). Exercises handed in after the deadline will be awarded half of the points without any exceptions. The quizzes will count for 15% of the course grade each. The final exam will count for 50% of the grade.

Special features (E.g. excursion, guest speaker):

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Course website:

<http://www.ihs.ac.at/~haefke> / <https://cecnet.tuwien.ac.at/>