

MACROECONOMIC THEORY II

SPRING 2013

Time and Location: 12:00 – 1:50pm, Tuesday/Thursday; KAP164

Professor: Yong Kim (E-mail: yongkim@usc.edu, Office: KAP 306A)

Office Hour: Tu 2-3

TA: Diego Vilán (E-mail: vilan@usc.edu)

Office Hour: TBA

PROBLEM SETS

Students will complete problem sets throughout the semester which will be graded and returned. Some of the problems will require written and mathematical analysis; others will involve numerical and computational analysis. Answers will either be provided in TA discussion sessions, or in answer guides that will be made available on TA's website. Students are encouraged to work together in solving the problem sets. However, each problem set submitted for grading must ultimately be a student's own work. i.e. copying of problem sets is not allowed.

EXAMINATIONS

If you cannot attend the midterm due to a verifiable medical emergency, then the weight of the midterm will be added to the final examination; if you cannot attend the midterm for any other reason, a grade of 0 will be assigned to the midterm. If you cannot attend the final examination due to a verifiable medical emergency, then a makeup examination will be set as soon as possible; if you cannot attend the final exam for any other reason, a grade of 0 will be assigned to the final exam.

EVALUATION

The exact breakdown of the evaluation of each student's work in the course is as follows:

Problem Sets	: 20%
Term project	: 10%
Midterm	: 30%
Final Exam	: 40%

No exceptions will be made to this grading scheme.

ACADEMIC ACCOMODATIONS

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early as possible in the semester. DSP is located in STU 301, and is open 8.30am-5.00pm, Monday through Friday. The phone number for DSP is (213)-740-0776.

ACADEMIC DISHONESTY

I refer all of you to the University's guidelines on academic integrity for students. Be aware that the penalties for graduate students are generally stricter than those for undergraduate students. You are all subject to these guidelines, and in the event of any violation I would seek the strongest possible penalty.

COURSE OUTLINE

I Long run Growth and Structural Transformation

Analysing the source of cross country income differences both across space and over time.

Hansen, Gary and Ed Prescott. “Malthus to Solow”, *American Economic Review*, 2003.

Ngai, Rachel L. and Pissarides, Christopher A. “Structural Change in a Multisector Model of Growth.” *American Economic Review*, March, 2007, 97(1), pp. 429-43.

Caselli, Francesco. Accounting for Cross Country Income Differences, Chapter 9, Aghion, P. and Steve Durlauf eds., “Handbook of Economic Growth”, North-Holland, 2007,
<http://emlab.berkeley.edu/users/chad/Handbook.html>

II Models with uninsurable idiosyncratic risk

Ljungqvist and Sargent, Chapter 17

Aiyagari, S. Rao. “Uninsured Idiosyncratic Risk and Aggregate Saving.” *Quarterly Journal of Economics*, August 1994, 109(3), pp. 659-84.

Huggett, Mark. “The Risk-Free Rate in Heterogeneous-Agent Incomplete-Insurance Economies.” *Journal of Economic Dynamics and Control*, September-November 1993, 17(5-6), pp. 953-69.

Krusell, Per and Smith, Anthony A., Jr. “Income and Wealth Heterogeneity in the Macroeconomy.” *Journal of Political Economy*, October 1998, 106(5), pp. 867-96.

III.1 Search, Unemployment, and Labor Market Fluctuations

What does the unemployment rate vary over time and across countries? What is the behavior of aggregate labor market variables such as job destruction, job creation and unemployment? How do different labor market policies affect aggregate outcomes?

Pissarides, Christopher A. *Equilibrium Unemployment Theory*. Cambridge, MA: MIT Press, 2000.

Shimer, Robert. "The Cyclical Behavior of Equilibrium Unemployment and Vacancies," *American Economic Review*, vol. 95, 2005.

III.2 Search, Money, and Asset Markets

Lagos, R. and R. Wright, "[A New Framework for Monetary Theory and Policy Analysis](#)," *Journal of Political Economy*, (2005).

IV Changes in the Structure of Wages and Models of Technology

Recent documented changes in the relative supply and price of skills motivate the construction of aggregate frameworks to understand these changes.

Katz Larry, and Kevin Murphy, "Changes in Relative Wages, 1963-1987: Supply and Demand Factors", *Journal of Political Economy*, 1992.

Krusell, Per; Ohanian, Lee E.; Rios-Rull, Jose-Victor and Violante, Giovanni L. "Capital-Skill Complementarity and Inequality: A Macroeconomic Analysis." *Econometrica*, September 2000, 68(5), pp. 1029-53.

David Card & Thomas Lemieux, 2001. "[Can Falling Supply Explain The Rising Return To College For Younger Men? A Cohort-Based Analysis](#)," *The Quarterly Journal of Economics*, MIT Press, vol. 116(2), pages 705-746, May.

Jeong, Hyeok, Yong Kim and Iourii Manovskii. [The Price of Experience](#), mimeo, University of Southern California.