Faculty of Graduate Studies
Department of Economics, Winter 2025
Advanced Macroeconomic Theory – Econ 6600

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Instructor: Talan B. İşcan (he/his), tiscan@dal.ca
Office Hours: Tuesday, Thursday 10:00–11:30 (or by appointment), Economics B23
Lectures: Tuesday, Thursday 16:05–17:25, Rowe 3081

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Dalhousie University is located in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq. We are all Treaty people.

Description

The purpose of this course is to understand the structure of the major theoretical frameworks in contemporary macroeconomics. The course addresses issues that mainly relate to the real side of the macroeconomy. Major emphasis is placed on incomplete markets, heterogeneity, income and wealth distribution, and distributional causes and consequences of economic policies.

Prerequisites

Either good standing in the PhD Program and ECON 5500, or permission of the instructor.

Objectives

This course covers dynamic methods and topics in macroeconomics with the goal of making the topic relevant for policies that invariably have distributional consequences. I organize the lectures around two major themes: allocation of resources across broad consumption categories and allocation of resources over time (aggregate consumption and saving decisions). These two themes cover a broad spectrum of topics ranging from economic growth to asset pricing, although I will not discuss these topics specifically. I will present the material through regular lectures, but student participation is essential for effective learning. In the lectures, I will introduce the motivation, discuss the basic research methods used in standard macroeconomic analysis, and present illustrative examples.

Course materials

Burkhard Heer, and Alfred Maußner. *Dynamic General Equilibrium Modelling: Computational Methods and Applications.* (2nd ed.) Springer. The eBook format of this text is available through Dalhousie Libraries. (*Required*)

Daniel Léonard and Ngo Van Long. *Optimal Control Theory and Static Optimization in Economics.* Cambridge University Press. (*Highly recommended*)

David N. DeJong and Chetan Dave. *Structural Macroeconometrics*. 2nd edition. Princeton University Press. (*Recommended*)

Daron Acemoglu. *Introduction to Modern Economic Growth*. Princeton University Press. (*Recommended*: a collection of technical results on dynamic programming)

Lars Ljungqvist, and Thomas Sargent. *Recursive Macroeconomic Theory*. 4th edition. MIT Press. (*Recommended*: includes many recursive models not covered in this course)

Nancy L. Stokey, and Robert E. Lucas Jr., with Edward Prescott. *Recursive Methods in Macroeconomic Dynamics*. Harvard University Press. (*Recommended*)

Lecture notes. I will post the lecture presentations and lecture notes on the course web page. Classroom discussions complement these material.

Assessment

Your understanding of and competency over the material will be evaluated based on your knowledge, comprehension, application, and analysis of the material learned in this course, and synthesis and evaluation of existing research. These include:

1. Application of macroeconomic knowledge to situations that are different from those presented in class, ability to abstract key aspects of a complex problem, and ability to recognize common threads in specific and novel problems.
2. Critical thinking: Appraising whether what appears to be evidence for a certain approach is really so; evaluating the quality of an argument; disentangling cause from effect; and identifying the shortcomings and pitfalls of a particular model in relevant contexts.
3. Effective communication: Writing concise essays and making effective presentations.

I will distribute the required readings and the assignments on a weekly basis. There will also be a midterm exam (February 13) and a final exam (April 21). The exams will cover all the material from the lectures, assignments, and required readings. The assignments account for 40 percent of the final grade, class participation 5 percent, the midterm 25 percent, and the final exam remaining 30 percent of the grade.

Requirements

Attendance and independent learning. Attendance to lectures and participation in lecture discussions are requirements. Lectures will include data and material that are not included in the required readings. At the same time, not all required readings will be covered in the lectures.

Active learning. There is a significant research component to this course. Be prepared for high order cognitive, including synthesis and evaluation. Paraphrasing the arguments presented in your textbook, readings and lectures will be necessary but not sufficient to obtain a satisfactory mark on your exams.

The correspondence between the total mark and the final letter grade is as follows.

Grade	Letter	Grade	Letter	Grade	Letter
90–100	A+	77–79.9	B+	< 70	F
85–89.9	A	73–76.9	B		
80–84.9	A−	70–72.9	B−		

Policies

In addition to the University Policies and Statements on Academic Integrity the following policies will be enforced.

Plagiarism. All assignments must reflect your individual effort and work. While discussion with your peers is encouraged, collaboration in the final write-up of your assignments is not permitted. You cannot copy source code for or solutions to assignment questions from sources without citing them. Violations of this policy will be considered an academic integrity offence.

Large language models (AI). If you are intending to become a scholar it is not recommended that you do not use AI for your assignments. AI does not teach you anything. It is perfectly normal to make mistakes while learning—in fact, we learn much more from our *own* mistakes, which we remember. AI also makes mistakes, but those are of no use to you. You will not remember your chosen AI's mistakes, missing a huge learning opportunity. Moreover, AI is primarily about an output, whereas learning is about the process. We generally have no idea how and why AI produces the output it does. We do not need to know how an internal combustion engine works to drive a car, but still need to know how a steering wheel works. With AI you will only have a start button and no sense of direction.

Cancellations. In the event of a cancelled class due to illness or a power outage, all the course content for that class will be automatically postponed to the next scheduled one.

Late assignments. Late assignments will be marked down by 10 percent per day, up to a maximum of 50 percent.

Content

1. What Is This All About?
2. Personal Consumption Expenditures
3. Personal Savings
4. Efficiency and Stability
5. Risk, Prudence, and Insurance
6. Precautionary Savings
7. Incomplete Insurance and Aggregate Savings