Macroeconomics 3

**Module Code:** ECO00002H  **Credits:** 20  **Year:** 3  **Terms:** 1-3
**Contact Hours:** 28 Lectures, 9 Practicals and 2 Seminars (39 contact hours)
**Module Organiser:** Professor S K Chattopadhyay

**Overview:**
The module introduces third year students to a select set of topics in modern macroeconomics.

More detailed information on the structure of the module, teaching method, the role of practicals, policy on homework submission and grading, etc may be found in the Course Outline on the virtual learning environment (vle). The Course Outline is for a specific year and is updated each year and so its current content is best thought of as a guide for next year.

**Aims:**
Macroeconomics II introduced extensions of the aggregated approach to develop dynamic models of consumption and investment, business cycles, monetary policy, growth, and international trade, with a focus on the roles of expectations and market imperfections.

Macroeconomics III introduces general equilibrium and information economics to macro models as this allows the behaviour of the model to be understood in terms of economic fundamentals at the level of the decision maker.

Term 1 of Macroeconomics III introduces the optimal growth model. It continues with other growth models which emphasise shocks to the economy. Finally, an introduction to real business cycle theory is provided.

Term 2 of Macroeconomics III concentrates attention on three issues:
- Intergenerational trade, social security and capital formation studied within the framework of an overlapping generation model with production
- The efficiency wage approach and the search approach to labour markets
- The role of liquidity and collateral in the economy

**Objectives:**
On completing the module a student will be able to:
- Understand some modern macroeconomic models with micro-foundations
- Comment on some policy debates in macroeconomics

**Assessment:**
There will be a 3 hour unseen examination in the Summer Term. There will be no choice on the exam.

**Pre-requisites:**
Macroeconomics II (ECO00002I)  
OR  
Economics II – Macro (ECO00026I)
Main References:
Term 1: Chapters of sections from:

Term 2: