Lecturer: Prof. Andri Chassamboulli  
Office Hours: By appointment  
Course: 2 credits

**Organization.**

The lectures will cover the topics listed below. You are assumed to come to class prepared to discuss the day's topic and encouraged to participate in class discussions. Besides regular class attendance, you are expected to carry out a fair amount of work on your own, including completing all core readings and homework assignments. Homework solutions will be discussed in seminars, and then graded by the Teaching Assistant.

**Assessment.**

The final grade is determined by performance on the final exam (85%), homework assignments (15%).

**Readings.**

The main textbook for the course is Advanced Macroeconomics by David Romer, second edition, 2001. Core readings are the textbook chapters and some additional articles from the list below, which will be specified in class. The extra readings on the syllabus, not indicated as required readings, include more advanced background material. If you have strong interest in a particular topic, you are encouraged to get acquainted with these readings as well. Most articles can be easily downloaded from [www.jstor.org](http://www.jstor.org). If you are having difficulty downloading an article let me know.

**Note:** The syllabus may change throughout the course. I will notify you in class if there are changes. So make sure you attend the lectures and check for updates.

**LIST OF READINGS**

1. **Consumption and Savings:** LC/PIH with Certainty, with uncertainty, Empirical Applications, Interest Rate and Savings, Asset Pricing, Precautionary Savings, Liquidity Constraints.

   Textbook:
   
   Romer (2001): Advanced Macroeconomics, Ch 7
   
   Blanchard and Fischer (1994): Lectures on Macroeconomics, Ch 6.3

   Articles:
   
   Browning and Crossley (2001): The Life Cycle Model of Consumption and Saving, JEP
   
   Laibson (1998): Life-Cycle Consumption and Hyperbolic Discount Functions, EER
Barsky, Mankiw and Zeldes (1986): Ricardian Consumers with Keynesian Propensities, AER
Carroll (1997): Buffer-Stock Saving and the Life-Cycle/Permanent Income Hypothesis, QJE
Carroll (2001): A Theory of the Consumption Function, with and without Liquidity Constraints, JEP
Carroll (2001): Requiem for the Representative Consumer, AER
Deaton (1992): Understanding Consumption, Oxford UP
Gourinchas and Parker (2001): The Empirical Importance of Precautionary Saving, AER
Hall (1988): Intertemporal Substitution in Consumption, JPE
Meghir (2004): A Retrospective on Friedman’s Theory of Permanent Income, EJ

II. Investment in Physical Capital and Inventories: Cost of Capital, Investment Tax Credit, Q Theory, Irreversible Investment, Lumpiness and Uncertainty, Financial Imperfections, Inventory Accumulation

Textbook:
Romer (2001): Advanced Macroeconomics, Ch 8
Blanchard and Fischer (1994): Lectures on Macroeconomics, Ch 6.4

Articles:
Hubbard (1994): Investment under Uncertainty: Keeping One’s Option Open, Sections 1-3, JEL
Dixit and Pindyck (1994): Investment under Uncertainty, Princeton UP

Hall (2000): The Stock Market and Capital Accumulation, AER