



Universidad  
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### *Economic Theory II (MEF)*

*Guía docente 2023-24*

## PRESENTATION

**Brief description of the course:** The course offers an overview of major topics in modern macroeconomics and dynamic analysis. The objective of the course is twofold. On one side, it focuses on the main intuition behind each economic question and theoretical model. On the other side, students will get acquainted with the currently used methods of dynamic macroeconomics. Using these techniques, the course introduces students to the analysis of intertemporal consumption choices, economic growth and business cycle fluctuations, with various applications. This program is meant to improve students' understanding of economic phenomena and their preparation for the following course on Monetary and Open-Economy Macroeconomics.

- **Type of degree:** Master In Economics and Finance
- **Module/Subject matter:** I. Compulsory subject matter / Economic Theory
- **ECTS:** 3.5
- **Year, semester:** year 1, Fall
- **Type:** compulsory
- **Professors:**
  - Tommaso Trani ([ttrani@unav.es](mailto:ttrani@unav.es))
    - Department of Economics, School of Economics and Business Administration
    - Office: no. 2240, second floor of the hilera (Edificio Amigos)
  - Antonio Moreno Ibáñez ([antmoreno@unav.es](mailto:antmoreno@unav.es))
    - Department of Economics, School of Economics and Business Administration
    - Office: no. 2530, second floor of the tower (Edificio Amigos)
- **Language:** English
- **Time, venue:** TBA

\*Special education needs: students with special needs should contact the professors of the course.

## COMPETENCES

Understanding of dynamic models dealing with cycles and growth

Macroeconomic modelling

Graphical representation of macroeconomic models

Mapping from modelling to reality

## BASIC & GENERAL SKILLS

CG1 - Formar especialistas de alto nivel tanto en teoría económica como en finanzas.



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CG3 - Familiarizar a los estudiantes con los campos de investigación y con la literatura más relevante en teoría económica y finanzas.

CG5 - Dotar a los estudiantes de los fundamentos teóricos básicos para poder iniciar estudios de doctorado en economía o finanzas.

### **SPECIFIC SKILLS**

CE2 - Desarrollar las principales ideas y técnicas necesarias para el análisis de modelos de equilibrio general

CE5 - Estudiar y profundizar en los modelos macroeconómicos recientes con características neoclásicas, en concreto, el estudio de modelos de equilibrio general dinámico.

### **PROGRAM**

The course is made of 6-7 broad subject areas. These will be taught by the two professors of the course as follows:

- Antonio Moreno Ibañez (10 hours): 3 & 4
- Tommaso Trani (20 hours): 1-2 & 5-6

The references and the outline of the program are shown below. It is possible that we will need to make small changes to the program as we go through the material. Relevant changes and additions will be announced and/or indicated.

### **OUTLINE**

#### 1) Consumption and Saving

- Two-Period Economy
- Dynamic Optimization
- Intertemporal Consumption Choice
- Applications

#### 2) Economic Growth

- Solow Model and Its Predictions
- An Intro to Endogenous Growth

#### 3) Neoclassical Growth Model: Ramsey-Cass-Koopmans Model

- Preferences and Economic Growth
- Efficiency and Stability
- Government

#### 4) Real Business Cycle Modeling

- Stylized Facts
- Labor and Leisure
- Methodology and Refinements (on Labor and Capacity Utilization)
- Log-Linearization and Solution

#### 5) Investment & Asset Pricing



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- Capital Adjustment Costs and Tobin's Q
- Implications for Business Cycle Models
- Price Puzzles

#### 6) OLGs

- Dynamics and Growth
- Welfare
- Government

#### 7) Fiscal Policy / Financial Frictions (time permitting)

- Taxation
- Effect of Government Purchases
- Financial Constraints
- Financial Frictions and Business Cycle Fluctuations

*Notes:* Please consult the syllabus in the intranet for the list of the required/optional readings (book chapters and scientific papers) corresponding to each topic.

## EDUCATIONAL ACTIVITIES

### ORGANIZATION

The objective of the lectures will be to explain the various theories, the main economic issues addressed by each of them and the required analytical tools. The emphasis put on each of these three components will vary with the topic at hand. However, a good grasp of the methods currently used in macroeconomic analysis forms an essential part of the course.

We will distribute lecture notes for each of the subject areas in the outline. For the most technical material, students will receive some handouts as well.

Students will work on problem sets, which are an occasion for understanding and applying the techniques covered during the lectures. Group work and discussion of key topics are strongly encouraged. But each student should hand in his or her own individual solution to any problem sets. Personal reasoning and attempts are important ingredients not only for the homework and the final exam, but also for each student's future professional achievements.

Final exam: TBA, Room TBA.

### TIME DISTRIBUTION

As for any course attributing 3.5 ECTS credits, students' workload is expected to be of about 87.5 hours. An indicative distribution of this preparation time is as follows:

- Lectures (20 hours): students will take notes and use material made available through ADI
- Review sessions (10 hours): students will learn the techniques and methods
- Personal and team work (54 hours): study of the theory, solution of problem sets, clarifications during the office hours



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- Evaluation (3.5 hours)

## ASSESSMENT

### REGULAR EXAM

Grades will be based on:

- the final exam (70%)
- the problem sets (30%).

### RESIT EXAM

The regular percentages will always apply. That is, in case a resit exam is needed, we will adopt the same weights as for the regular examination: 70% and 30%, respectively.

### HONESTY IS THE BEST POLICY

*(Ethics Committee Provisions Against Plagiarism and Copying)*

We value honesty. Without it, there can be no trust or any meaningful social relations. Therefore, the School expects honesty and fairness from all of its members: professors, non-academic staff, and students.

Dishonest behaviours will be sanctioned in accordance with the [University regulations regarding academic discipline](#), and include lying, cheating in exams, and plagiarism in written work. We take such violations seriously. Depending on their gravity, these offences will be dealt with by the Professor in charge of the subject, by the Dean of Students, and in very severe cases, by the Vice President for Student Affairs.

Sanctions include:

- formal warnings
- prohibition from entering University premises for a given period
- loss of admission rights to exams
- loss of scholarships
- A failing grade for the piece of work or the whole course.

## OFFICE HOURS

Tommaso Trani ([ttrani@unav.es](mailto:ttrani@unav.es))

- Office no. 2240. Edificio Amigos. Floor: 2 (hilera)
- Office hours: by appointment.

Antonio Moreno ([antmoreno@unav.es](mailto:antmoreno@unav.es))

- Office no. 2530. Edificio Amigos. Floor: 2 (tower)



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- Office hours: by appointment.

## BIBLIOGRAPHY AND RESOURCES

There is no single reference for this course; we will use both books and journal articles. Whether required or optional, these readings will be complementary to the lecture notes distributed during the course for each topic.

### TEXTBOOKS

Barro, R., and X. Sala-i-Martin (2004, 2<sup>nd</sup> ed.): *Economic Growth*, MIT Press [Find this book in the Library](#)

Blume, L. E., and K. P. Simon (1994): *Mathematics for Economists*, W.W. Norton & Company [Find this book in the Library](#)

Niepelt, D. (2019): *Macroeconomic Analysis*, MIT Press [Find this book in the Library](#)

Obstfeld, M., and K. S. Rogoff (1996): *Foundations of International Macroeconomics*, MIT Press [Find this book in the Library](#)

Romer, D. (2012, 4<sup>th</sup> edition): *Advanced Macroeconomics*, McGraw-Hill [Find this book in the Library \(2019\)](#)

Walsh, C. (2010, 3<sup>rd</sup> ed.): *Monetary Theory and Policy*, MIT Press [Find this book in the Library](#)