

## **Advanced Macroeconomics, 5e**

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©2019

ISBN: 1260185214

### **Detailed List of New Features**

The fifth edition of Romer's *Advanced Macroeconomics* presents the major theories concerning the central questions of macroeconomics. In areas ranging from economic growth and short-run fluctuations to the natural rate of unemployment and monetary policy, formal models are used to present and analyze key ideas and issues. The theoretical analysis is supplemented by examples of relevant empirical work, illustrating the ways that theories can be applied and tested.

The book has been extensively revised to incorporate important new topics and new research, eliminate inessential material, and further improve the presentation. Key revisions include:

- A new chapter, "Financial Markets and Financial Crises" (Chapter 10), that covers the role of financial markets in balancing saving and investment and sharing risk; investment in the presence of financial-market imperfections and the financial accelerator; the possibility of departures of asset prices from fundamentals and excess volatility in asset prices; the classic Diamond-Dybvig model of bank runs; and financial contagion.
- Even more so than other chapters, the new chapter has a heavy empirical focus, with an emphasis on the use of microeconomic evidence to shed light on macroeconomic questions.
- Three new sections: the zero lower bound (Chapter 12), the analysis of the buffer-stock model of saving using dynamic programming (Chapter 8), and the forward guidance puzzle (Chapter 7).
- The book continues to use the end-of-chapter problems to introduce important extensions and applications of the core topics. Among the subjects addressed by problems that are new in the fifth edition are issues raised by Thomas Piketty's recent work, a semi-endogenous version of Paul Romer's classic model of endogenous technological change, and the use of numerical methods to solve dynamic-programming problems.

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