

University of Utah
Department of Economics

ECON 7007 - MACROECONOMIC THEORY I

Fall 2019
MW 3:00-4:20: GC 3015

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Course description:

This course is devoted to business cycle analysis. It will develop a series of competing models of income and price determination, discuss their microeconomic foundations, and address issues that pertain to monetary and fiscal policies.

Course outcomes:

Upon completion of this course, students are expected to have a solid knowledge of the analytics of the competing mainstream theories that are at the root of the current debates about the sources/mechanisms of business cycles and the appropriate policy responses.

Course requirements:

Midterm exam (35%) and final exam (45%) [both in-class and closed book], and problem sets (20%).

Midterm exam date: Wednesday, October 14, 2019.

Final exam date: Thursday, December 12, 2019, 3:30-5:30.

Books:

There are no required textbooks. David Romer's *Advanced Macroeconomics* (2012 McGraw-Hill, 4th ed.) is a useful reference book but it is not required for purchase. I will post class notes on Canvas regularly.

Canvas:

The syllabus, assignments, answers, economic data, grades (except final exam) and announcements will be posted on Canvas. It is the student's responsibility to check Canvas regularly. Make sure that your mail is forwarded from Canvas to an address that you check frequently.

The Americans with Disabilities Act:

The University of Utah seeks to provide equal access to its programs, services, and activities for people with disabilities. If you will need accommodations in this class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, (801) 581-5020. CDS will work with you and the instructor to make arrangements for accommodations. All

written information in this course can be made available in an alternative format with prior notification to the Center for Disability Services.

University Safety Statement:

The University of Utah values the safety of all campus community members. To report suspicious activity or to request a courtesy escort, call campus police at 801-585-COPS (801-585-2677). You will receive important emergency alerts and safety messages regarding campus safety via text message. For more information regarding safety and to view available training resources, including helpful videos, visit safeu.utah.edu.

Addressing Sexual Misconduct:

Title IX makes it clear that violence and harassment based on sex and gender (which includes sexual orientation and gender identity/expression) is a civil rights offense subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, color, religion, age, status as a person with a disability, veteran's status or genetic information. If you or someone you know has been harassed or assaulted, you are encouraged to report it to the Title IX Coordinator in the Office of Equal Opportunity and Affirmative Action, 135 Park Building, 801-581-8365, or the Office of the Dean of Students, 270 Union Building, 801-581-7066. For support and confidential consultation, contact the Center for Student Wellness, 426 SSB, 801-581-7776. To report to the police, contact the Department of Public Safety, 801-585-2677(COPS).

Course Outline and the Readings (approximate dates)

1. (8/19) Mainstream Views on the State of Macroeconomics (Pre-crisis)

Akerlof, G.A. 2007. "The Missing Motivation in Macroeconomics," *American Economic Review*, 97(1), 5-36.

Blanchard, O.J. 2009. "The State of Macro," *Annual Review of Economics*, 1, 209-228.

Chari, V.V. and Kehoe, P.J. 2006. "Modern Macroeconomics in Practice: How Theory Is Shaping Policy," *Journal of Economic Perspectives*, 20(4), 3-28.

Mankiw, N.G. 2006. "The Macroeconomist as Scientist and Engineer," *Journal of Economic Perspectives*, 20(4), 29-46.

2. (8/21-9/11) Deterministic Models: Classical, Neoclassical Synthesis, Friedman (1968), and 3-Equation

Carlin, W. and Soskice, D. 2005. "The 3-Equation New Keynesian Model – A Graphical Exposition," *Contributions to Macroeconomics*, 5(1).

Friedman, M. 1968. "The Role of Monetary Policy," *American Economic Review*, 58(1), 1-17.

Snowdon, B. and Vane, H. 2005. *Modern Macroeconomics*, Chs. 2, 3, 4.

3. (9/11-10/2) The New Classics and the New Keynesians

Romer, D. 2012. *Advanced Macroeconomics*, Ch. 6.

Ball, L. and Romer, D. 1990. "Real Rigidities and Non-neutrality of Money," *Review of Economic Studies*, 57(2), 183-203.

Blinder, A.S. 1987. “Keynes, Lucas, and Scientific Progress,” *American Economic Review*, 77(2), 130-136.

Lucas, R. 1976. “Econometric Policy Evaluation: A Critique,” *Carnegie-Rochester Conference Series on Public Policy*, 1(1), 19-46.

Snowden, B. and Vane, H. 2005. *Modern Macroeconomics*, Chs. 5, 7.

4. (10/16-10/28) **Real Business Cycle Theory**

Romer, D. 2012. *Advanced Macroeconomics*, Ch. 5

Snowden, B. and Vane, H. Chs. 6.

5. (10/30-11/11) **The New Neoclassical Synthesis**

Romer, D. 2012. *Advanced Macroeconomics*, Ch. 7.

Jordi, G. and Gertler, M. 2007. “Macroeconomic Modeling for Monetary Policy Evaluation.” *Journal of Economic Perspectives*, 21(4), 25- 45.

Kirman, A.P. 1992. “Whom or What Does the Representative Agent Represent?” *Journal of Economic Perspectives*, 6(2), 117-136.

6. (11/13-11/18) **Consumption and Investment**

Romer, D. 2012. *Advanced Macroeconomics*, Chs. 8, 9.

7. (11/20-11/25) **Unemployment**

Romer, D. 2012. *Advanced Macroeconomics*, Chs. 10.

8. (11/27-12/2) **Macroeconomic Policy**

Romer, D. 2012. *Advanced Macroeconomics*, Chs. 11, 12.

Taylor, J.B. 1993, “Discretion versus Policy Rules in Practice,” *Carnegie-Rochester Conference Series on Public Policy*, 39, 195-214.

9. (12/4) **Financial Markets and Financial Crises**

Romer, D. 2012. *Advanced Macroeconomics*, pp. 436-451.

Bernanke, B.S., Gertler, M. and Gilchrist, S. 1996. “The Financial Accelerator and the Flight to Quality,” *Review of Economics and Statistics*, 78(1), 1-15.

Jordi, O., Schularik, M., and Taylor A.M. 2012. “When Credit Bites Back: Leverage, Business Cycles, and Crises.” FRB of San Francisco Working paper 2011-27.

Diamond, D. and Dybvig, P. 1983. “Bank Runs, Deposit Insurance, and Liquidity,” *Journal of Political Economy*, 91(3), 401-419.