

University of Utah
Department of Economics
Fall 2018

ECON 7007 - MACROECONOMIC THEORY I

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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 requirements: Midterm exam (40%) and final exam (50%) [both in-class and closed book], and problem sets (10%).

Midterm exam date: Wednesday, October 17, 2017.

Final exam date: Tuesday, December 12, 2017, 3:30-5:30.

All readings, with the exception of David Romer's *Advanced Macroeconomics*, (2012 McGraw-Hill, 4th ed.), are available on Canvas. I will also post classnotes on Canvas regularly.

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 the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations.

1. 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. 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. 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. Real Business Cycle Theory

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

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

5. 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.

Kremer, J., Lombardoy, G. von Thadden, L. and Werner, T. 2006. “Dynamic Stochastic General Equilibrium Models as a Tool for Policy Analysis,” *CESifo Economic Studies*.

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

6. Consumption and Investment

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

7. Unemployment

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

8. Macroeconomic Policy

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

Committee on the Global Financial System (CGFS). 2010. “Macroprudential Instruments and Frameworks: A Stocktaking of Issues and Experiences,” CGFS Papers No. 38, Bank for International Settlements.

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

9. Financial Markets and Financial Crises

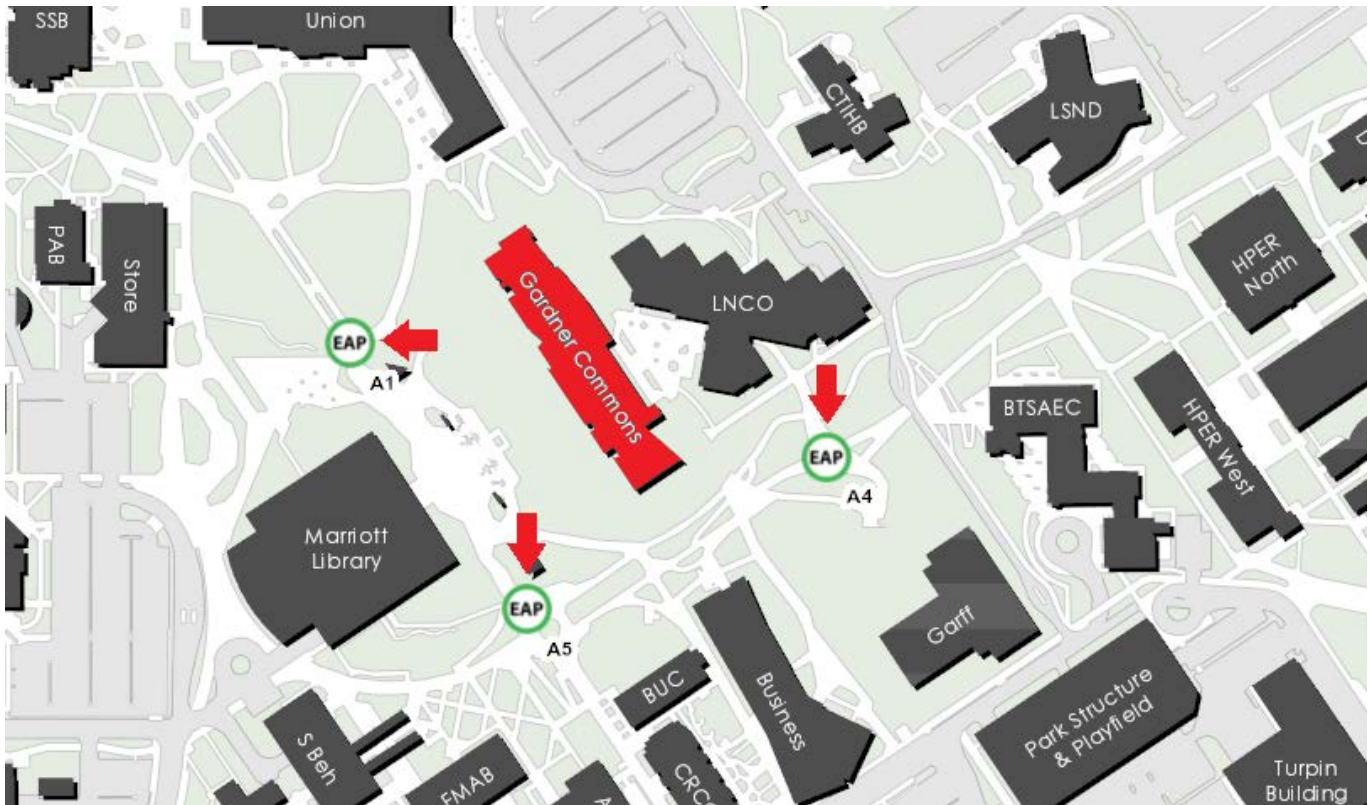
Romer, D. 2012. *Advanced Macroeconomics*, pp. 436-451.

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.

CSBS EMERGENCY ACTION PLAN



BUILDING EVACUATION

EAP (Emergency Assembly Point) – When you receive a notification to evacuate the building either by campus text alert system or by building fire alarm, please follow your instructor in an orderly fashion to the EAP marked on the map below. Once everyone is at the EAP, you will receive further instructions from Emergency Management personnel. You can also look up the EAP for any building you may be in on campus at <http://emergencymanagement.utah.edu/eap>.



CAMPUS RESOURCES

U Heads Up App: There's an app for that. Download the app on your smartphone at alert.utah.edu/headsup to access the following resources:

- **Emergency Response Guide:** Provides instructions on how to handle any type of emergency, such as earthquake, utility failure, fire, active shooter, etc. Flip charts with this information are also available around campus.
- **See Something, Say Something:** Report unsafe or hazardous conditions on campus. If you see a life threatening or emergency situation, please call 911!

Safety Escorts: For students who are on campus at night or past business hours and would like an escort to your car, please call **801-585-2677**. You can call 24/7 and a security officer will be sent to walk with you or give you a ride to your desired on-campus location.