ECON 6110-5001, Fall 2017

AGGREGATIVE ECONOMICS

MoWeFr 11:30AM - 12:20PM, Business Admin 1002

**Administrative Details**

**Instructor**: Dr. Zheng Zeng

**Office**: BA 316

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**Office Hours**: Fr 1:30 PM – 3:00 PM

**Prerequisites**: ECON 3030 or ECON 5120, MATH 1260 or equivalent

**Texts**:

*Any textbook of Intermediate Macroeconomics*

*Monetary Policy, Inflation, and the Business Cycle,* Jordi Galí

Handouts and articles

**Course Description**:

This course is meant to provide an introduction to graduate level aggregative economics and a macroeconomic examination of economic issues. Contemporary economics emphasizes the role of dynamics and general equilibrium theory. Topics covered include, among others, national income, capital accumulation, government institutions, banking sector, demand for money and control of its supply, economic policy-making by the Federal Reserve and its importance for business decision making. The models presented are drawn from classical, Keynesian, neo-classical and new Keynesian theories of economic behavior.

**Course Information**:

All courses documents can be accessed using ***Canvas***.

**Evaluation and Grading**

Homework Assignments— **40%**

Exam I— **20%**

Exam II— **20%**

Final Exam— **20%** (Tues., Dec. 12, 10:45 – 12:45 pm)

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| **A** | 90% -100% | **B** | 80% - 89% | **C** | 70% - 79% |
| **D** | 60% - 69% | **F** | 0 - 59% |  |  |

**Classroom Etiquette**

The use of laptops, any tablet computers, cell phones, smart phones, or other mobile communication devices is prohibited during class.

**Homework Assignments**

Homework will be assigned as determined by me. To receive credits, homework must be handed in on the specified date due, during class or prior to class time, unless the student has a physician-documented illness or a documented personal tragedy on the due date. I do NOT accept homework via email. Please hand it to me in class or during my office hours.

**Exams**

1. I will curve the grades for each exam by adding (or taking) points to (from) everybody. Homework grades will NOT be curved.
2. Make-up exams are permissible only with evidence (like a doctor’s note) of a legitimate excuse. You are responsible to notify me within 2 days of your absence and set up a time for the makeup exam with me. Otherwise, no makeup exam will be scheduled. **The final exam will not be given early**.

**Excused Absences for University Extracurricular Activities**

Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work.

**Honor Code**

All work undertaken and submitted in this course is governed by the University’s honor code. If any student is unclear about the University’s honor policy – either in general or its particular application in this course – please contact your instructor immediately. Students who submit assignments that are word-for-word identical in any portions will be considered as cheating.

**Course Outline (subject to change)**

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| **Topics** | **Readings** |
| Introduction and Overview | Chap 1, Barro |
| **A Real Business Cycle Model** |
| **Households** | The Static Behavior of Households | Chap 2, Barro |
| The Dynamic Behavior of Households | Chap 3, Barro |
| **Firms** | The Labor Market | Chap 6, Barro |
| Investment and Capital Accumulation | Chap 9, Barro |
| **A Representative Agent Model** | The Basic Problem of the Representative Agent | Handouts, Chp 1-2, Galí |
| Dynamic Optimization (Classical Methods) |
| Market Clearing and General Equilibrium |
| ***Exam I*** |
| **Some Technical Stuff** | Steady States | Handouts, Chp 1-2, Galí |
| Lucas Critique |
| Log-linear Approximation |
| **Monetary Economy** |
| **Money** | Basic Topics of a Monetary Economy | Chap 4-5, Barro |
| Money, Inflation and Interest Rate | Chap 7-8, Barro |
| **Flexible Price** | Money in Utility Function and Cash in Advance | Handouts, Chp2, Gali |
| Monetary Policy Rules |
| **Sticky Price** | A Dynamic New Keynesian Model | Chap 3, Galí |
| Monetary Policy Rules | Chap 4, Galí |
| ***Exam II*** |
| **Special Topics** | Unemployment\* | Chap 10, Barro |
| Economic Growth | Chap 11, Barro |
| Government Behavior | Chap 12-14, Barro |
| Asset Pricing | Handouts |
| **A Model of Agency Cost\*** |
| **Credit Demand**  | An Optimal Financial Contract under Asymmetric Information | Handouts |
| Credit Frictions in a Real Economy |
| Credit Frictions in a Monetary Economy |
| **Credit Supply**  | Risk Appetite and Financial Intermediations |
| ***Comprehensive Final Exam*** |