



**College of Business Administration  
Department of Economics  
Agg. Economic Conditions & Analysis  
Lecturer: O. Mikhail  
ECO 6206-0001  
Fall 2003**

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### **Course Outline**

Time	:	Th 18:00 – 20:45.
Location	:	BA I 206.
Office	:	BA II 302.
Office Hours	:	T, Th 9:00 – 11:00 and W 14:00 – 15:00.
Class Web Page	:	<a href="http://www.bus.ucf.edu/omikhail/Eco6206/Eco-6206.htm">http://www.bus.ucf.edu/omikhail/Eco6206/Eco-6206.htm</a>
E-Mail	:	omikhail@hotmail.com omikhail@bus.ucf.edu
Phone	:	407-823-4258
Fax	:	407-823-3269

### **Objective**

This is a graduate level class in macroeconomics. We present a rigorous treatment of the theoretical and empirical progress of economic growth (Chapters 1 to 3), business cycles (Chapters 4 to 6) models and macroeconomic policy (Chapters 10 and 11).

We adopt the “theory confronts data” view to build general equilibrium macroeconomic models based on microeconomic principles. This class provides both an overview of the field for students who are interested in a career as policy analyst and for students who will pursue more advanced courses and research in macroeconomics and monetary economics. Strong emphasis will be placed on the basis of advanced macroeconomics presented in the first six chapters.

Basic knowledge of calculus and algebra are required. Intermediate-level knowledge of microeconomics and macroeconomics are also required. Students are responsible for *all* materials *covered in class* that is presented in the textbook and in the lecture notes.

Attendance at lectures is not mandatory but is recommended. **If you are experiencing any difficulty in this class (or any other), please arrange a meeting with me to discuss it.**

## **E-mail Policy, Lecture Notes and Class Web Page**

During weekdays, I should be able to answer your e-mail within 24 hours. All of the PowerPoint class notes are available at the class web page. Visit the class web page regularly for announcements.

## **Office Hours**

If my office hours (stated above) conflict with your schedule and you need to see me, please let me know so I can arrange a mutually acceptable time to meet.

## **Evaluation (Preliminary)**

Assignments	25 %
Mid-Term Exam (October 9, 2003)	25 %
Final Exam (December 11, 2003)	50 %

**The FINAL EXAM is at 7:00 p.m.**

No extra-credit assignment is given. No early or make-up exams will be given. The Final Exam is held on Thursday, December 11, 2003 from **7:00 p.m. to 9:50 p.m.**

## **Assignments**

On the class web page, I will regularly post a set of assignments. The purpose of these assignments is twofold: to prepare the student for the exams and to complement the lectures. I intend to give one assignment every week.

## **Required Book**

Romer, David. (2001) *Advanced Macroeconomics*. McGraw-Hill Irwin. Second Edition. ISBN: 0-07-231855-4

## **Reading List (± one week)**

Additional Articles will be posted on the class web page.

Weeks 1 - 2 **Introduction.**

### **Stylized Facts.**

- Business Cycle.
  - Notes. Stylized Facts by Manuel Walti (2000).
- Growth.
  - Class Notes. Kaldor, Jones and Romer.

### **Tools.**

- General Math Tools,
  - Class Notes. The eight tools for economists.
- Continuous Dynamic Systems, Systems of First-Order Differential Equations and Phase Diagrams

- o Chapters 2 and 4. Dynamics by Ronald Shoe (1997).
- Calculus of Variation and Optimal Control (The Maximum Principle).
  - o Chapter 7. Elements of Dynamic Optimization by Alpha C. Chiang (2000).

**Economic Growth.**

- Solow-Swan.
  - o Chapter 15. Using Mathematics in Economic Analysis by Peter Hess (2002).
  - o Chapter 1. Romer (2001).

Week 2                      September 1, 2003                      **Labor Day**

Weeks 3-4                      **Infinite-Horizon and Overlapping-Generations Models.**

- Ramsey-Cass-Koopmans model and Diamond model.
  - o Chapter 2. Romer (2001).

Week 4                      **New Growth Theory.**

- Research & Development models and Cross-Country Income Differences.
  - o Chapter 3. Romer (2001).

Week 5                      **Real-Business Cycle (RBC) Theory.**

- Baseline RBC and Extensions.
  - o Chapter 4. Romer (2001).
  - o Kydland and Prescott (1982) “Time to build and aggregate fluctuations,” *Econometrica* 50(6), November, pp. 1345-1369.
  - o Edward C. Prescott (1986) “Theory ahead of business cycle measurement,” *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall, pp. 9-22.
  - o Robert G. King, Charles I. Plosser and Sergio T. Rebelo (1988) “Production, growth and business cycles I: The basic neoclassical model,” *Journal of Monetary Economics* 21(2), March, pp. 195-232.

Week 6                      **Traditional Keynesian Theories of Fluctuations.**

- Aggregate Demand and Aggregate Supply.
- IS/LM.
- Open Economy and the Mundell-Fleming Model.
- The Natural Rate and the Phillips Curve.
- Money and Output: The St. Louis Model.
  - o Chapter 5. Romer (2001).

Week 7                      **MID-TERM EXAM                      October 9, 2003**

- Week 8-9 **Microeconomic Foundations of Incomplete Nominal Adjustment.**
- The Lucas imperfect-information Model.
  - Staggered Price Adjustment.
  - New Keynesian Economics.
    - o Chapter 6. Romer (2001).
- Week 10 **Consumption.**
- The Life-Cycle, Permanent-Income Hypothesis and the Random Walk Hypothesis.
    - o Chapter 7. Romer (2001).
- Week 11 **Investment.**
- Adjustment Costs, Tobin's  $q$  and Uncertainty.
    - o Chapter 8. Romer (2001).
- OR**
- Week 10 **Unemployment.**
- Efficiency-Wage, Shapiro-Stiglitz, Insider-Outsider and Search/Matching models.
    - o Chapter 9. Romer (2001).
- Week 11 **Inflation and Monetary Policy.**
- Monetary Policy and the Term-Structure of Interest Rates.
  - Inconsistency.
  - Seignorage and the Costs of Inflation.
    - o Chapter 10. Romer (2001).
- Weeks 12-13 **Budget Deficits and Fiscal Policy.**
- Ricardian Equivalence, Tax-Smoothing, Strategic Debt Accumulation and Debt Crises.
    - o Chapter 11. Romer (2001).
- Week 14 **November 27-30, 2003      Thanksgiving**
- Week 15 **Review.**

<b>Academic Dates and Deadlines</b>	
Classes Begin	August 25
Late Registration and Add/Drop (ends at 5:00 p.m. on the last day)	August 25-29
Withdrawal Deadline (ends at 5:00 p.m. on the last day)	October 17
Registration by Appointment and Add/Drop for Spring, 2004 (ends at 5:00 on the last day)	October 27-January 3
Classes End; Last Day to Remove Incomplete	December 5
Final Examination Period	December 6-12
Commencement	December 15-16
Grades Available on POLARIS (begins at 9 a.m.)	December 18

<b>Fall 2003 Holidays and Special Events</b>	
Labor Day	September 1
Homecoming Week	October 20-25
Veteran's Day	November 11
Thanksgiving	November 27-30

## **THE UCF CREED**

*Integrity, scholarship, community, creativity, and excellence are the core values that guide our conduct, performance, and decisions.*

### **Integrity**

*I will practice and defend academic and personal honesty.*

### **Scholarship**

*I will cherish and honor learning as a fundamental purpose of my membership in the UCF community.*

### **Community**

*I will promote an open and supportive campus environment by respecting the rights and contributions of every individual.*

### **Creativity**

*I will use my talents to enrich the human experience.*

### **Excellence**

*I will strive toward the highest standards of performance in any endeavor I undertake.*

<http://pegasus.cc.ucf.edu/~admissio/creed.htm>