



**College of Business Administration
Department of Economics
Agg. Economic Conditions & Analysis
Lecturer: O. Mikhail
ECO 6206-0001
Fall 2004**

Course Outline

Class Time	:	Th 18:00 – 20:45.
Location	:	BA I 110.
Office	:	BA II 302.
Office Hours	:	Tuesday 2:00 p.m. – 3:00 p.m. Thursday 3:00 p.m. – 5:00 p.m.
Class Web Page	:	http://www.bus.ucf.edu/omikhail/Eco6206/Eco-6206.htm
E-Mail	:	omikhail@hotmail.com omikhail@bus.ucf.edu
Phone	:	407-823-4258
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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 and a solid theoretical foundation in macroeconomics 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	30 %
Mid-Term Exam (October 21, 2004)	30 %
Final Exam (December 9, 2004)	40 %

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 9, 2004 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

Optional Additional Book

Ben J. Heijdra and Frederick Van Der Ploeg (2002) *The Foundations of Modern Macroeconomics*. Oxford University Press. ISBN: 0198776179

Reading List (\pm one week)

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

Economic Growth.

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

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

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

Week 4 **New Growth Theory (Optional).**

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

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

- Baseline RBC and Extensions.
 - Chapter 4. Romer (2001).
 - Kydland and Prescott (1982) "Time to build and aggregate fluctuations," *Econometrica* 50(6), November, pp. 1345-1369.
 - Edward C. Prescott (1986) "Theory ahead of business cycle measurement," *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall, pp. 9-22.
 - 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 7-8 **Microeconomic Foundations of Incomplete Nominal Adjustment.**
- The Lucas imperfect-information Model.
 - Staggered Price Adjustment.
 - New Keynesian Economics.
 - o Chapter 6. Romer (2001).
- Week 9 **MID-TERM EXAM October 21, 2004**
- 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 25-27, 2003 Thanksgiving**
- Week 15 **Review.**

Academic Dates and Deadlines	
Classes Begin	August 23
Late Registration and Add/Drop	August 23-27
Withdrawal Deadline	October 22
Registration Appointment Date and Time for Spring 2005 on POLARIS	October 25
Classes End; Last Day to Remove Incomplete	December 4
Final Examination Period	December 6-11
Commencement	December 13-14
Grades Due in Registrar's Office (noon)	December 15
Grades Available on POLARIS (begins at 9 a.m.)	December 17
Fall 2004 Holidays	
Labor Day	September 6
Veteran's Day	November 11
Thanksgiving	November 25-27
Fall 2004 Special Events	
Homecoming Week (classes still held)	November 1-6

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>