The course: This course is a graduate-level introduction to modern theories of the aggregate economy. You will develop a fundamental understanding of formal models explaining economic growth – the performance of the economy in the long-run – and aggregate fluctuations – the performance of the economy in the short-run. The focus of the course is on developing and using these models to predict the response of overall production, employment and prices to external shocks and government policy. The course also introduces you to the basic analytical tools of dynamic analysis that are necessary for understanding these models. Course pre-requisite: ECON 8000

Reading:


Romer’s text is required and covers a lot of the material to be discussed in class; the other two books may be helpful with the mathematical preliminaries. Although I plan to present much of the course content on the board in class, I have posted a set of overhead slides on the course home page as a rough guide to the lectures. If there is a conflict between what is presented in class and the slides, the classroom lecture takes precedence. The slides are meant to complement, not substitute for, class attendance and participation.

Grading: Your final course grade will be a weighted average of your performance on a mid-term exam (40%) and a comprehensive final exam (60%). I will post problem sets as study guides on the course web page, but will not grade them. There will be no makeup exams.

Attendance: I expect full attendance throughout the semester. If you must miss a class, let me know in advance. *No electronic devices – cell phones, tablets, lap-tops, etc. – may be used during class*. They must be turned off and out-of-sight. If you have a good reason to use a device during class, you must get prior permission from me.
**Academic honesty**: I expect all students in this course to fully understand and comply with UGA’s culture of academic honesty: *As a University of Georgia student, you have agreed to abide by the University’s academic honesty policy, “A Culture of Honesty,” and the Student Honor Code. All academic work must meet the standards described in “A Culture of Honesty” found at: www.uga.edu/honesty. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.*

**Course outline** (chapters in texts):

1. Tools of macroeconomics
   (a) Linear systems and comparative statics (Chiang and Wainwright: 3-8)
   (b) Difference equations (Sargent: IX; Chiang and Wainwright: 17, 18)

2. Intertemporal choice
   (a) Households – consumption and labor (Romer: 8, 12.1-12.3; Sargent: XII)
   (b) Firms – investment (Romer: 9.1-9.5)

3. Models of economic growth
   (a) Solow’s model (Romer: 1)
   (b) Ramsey’s optimal growth model (Romer: 2A)
   (c) Overlapping generations (Romer: 2B)
   (d) Endogenous growth (Romer: 3.1, 3.2, 3.4)

4. Models of aggregate fluctuations
   (a) Real Business Cycle models (Romer: 5)
   (b) Static models with exogenous nominal rigidities (Romer: 6.1, 6.2; Sargent: I, II)
   (c) Dynamics and expectations (Romer: 6.4, 6.9)
   (d) DSGE models (Romer: 7.1-7.3, 7.8)

This syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.