

Syllabus term: January-June 2017, Macroeconomics

Professor: William T. Gavin

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Class schedule: Monday and Wednesday: 12:00 pm to 2:00 pm

Classroom: B-103

My Office: I-69, office phone extension 2952

Office hours: 10 to 11:30 before class Monday and Wednesday and anytime between 11:00 am and 3:00 pm on Tuesday. For other times request an appointment by text or email.

OBJECTIVES

This prerequisites for this course include introductory courses in both microeconomics and macroeconomics as well as a course in differential calculus. This course presents the microeconomic foundations of macroeconomic theory with empirical applications. It is the responsibility of the student to cover deficiencies – if any – in microeconomics, macroeconomics, and differential calculus.

The overall objective of the course is to learn the microfoundations of modern macroeconomic theory that will provide a sound basis for continuing into a Ph.d. program, teaching at the undergraduate level, or working as an economist in the business or government sectors. The basic general equilibrium macroeconomic model is the theoretical foundation for both New Classical and New Keynesian macroeconomics as well as the Consumption-based Asset Pricing Model used in finance. The course includes an extension of the model to study monetary policy. The course will cover monetary policy institutions in Mexico and the United States.

The course will rely heavily on the textbook, *Advanced Modern Macroeconomics* by Max Gillman that was specifically written to teach the core of modern macroeconomic theory to advance undergraduate students. The monetary policy extensions will draw mainly from the published work of Professor Gavin and his coauthors. The course will also use data sources from both foreign and domestic statistical agencies.

Proposed Syllabus that may be adjusted to meet student needs.

		Main Textbook	Subject Material
		AMM -- <i>Advanced Modern Macroeconomics</i> by Max Gillman (2011)	Presents core model with extensions and applications
1/23/2016	1	AMM Chapter 1	Introduction and course requirements
1/25/2016	2	AMM Chapter 2	Set up and solve static model
1/30/2016	3	AMM Chapter 2	Applications of static model
2/1/2016	4	AMM Chapter 3	More Applications involving labor and taxes.
2/6/2016	5	AMM Chapter 3	More Applications involving labor and taxes.
2/8/2016	6	AMM Chapter 4	Trade in domestic markets for goods and labor
2/13/2016	7	AMM Chapter 5	Savings and Investment (2-period model)
2/15/2016	8	AMM Chapter 5	Capital and Business cycles
2/20/2016	9	AMM Chapter 6	Applications of the two period model
2/22/2016	10	AMM Chapter 8	Savings, Investment and Interest Rates
2/27/2016	11	AMM Chapter 8	General Equilibrium and AD/AS
3/1/2016	12	AMM Chapter 9	Labor market and business cycles
3/6/2016	13	AMM Chapter 9	Labor market and business cycles
3/8/2016	14	AMM Chapter 10	AS/AD in the dynamic model
3/13/2016	15	AMM Chapter 10	AS/AD in the dynamic model
3/15/2016	16	Review Chapters 2-10, excluding 7	
3/20/2016	17	Midterm Exam	
3/22/2016	18	Review Midterm Exam and begin Chapter 11	Chapter 11, sections 11.1 through 11.6, pages 427-453
3/27/2016	19	AMM Chapter 11 continued	Balanced Growth
3/29/2016	20	AMM Chapter 17 Section 17.2	Adding government bonds
4/3/2016	21	AMM Chapter 17 continued	Asset Pricing, CAPM
4/5/2016	22	AMM Chapter 20 Sections 20.2 to 20.5	Adding prices, inflation and Fisher equation, pages 815 through 843
4/10/2016	Spring Break until Class returns on 4/24/2016		
4/24/2016	23	AMM Chapter 20 continued	Classical Dichotomy and the Quantity theory of money

4/26/2016	24	Dynamic Monetary Policy	Adding Policy to the baseline model
5/1/2016	25	The Lucas Critique, monetary policy regimes, and forecasting and VARs.	Cooke and Gavin (2015)
5/3/2016	26	Data, Variance-covariance properties	Kydland and Prescott (1990)
5/8/2016	27	Business Cycle Facts and Policy Regimes	Gavin and Kydland (1999)
5/10/2016	28	Business Cycle Facts for Mexico	Use FRED to get data for Mexico
5/15/2016	29	The Federal Reserve and World Interest Rates	Class Project
5/17/2016	30	The financial crisis	What are the important institutions?
5/22/2016	31	The financial crisis	What was the bad behavior?
5/24/2016	32	Review for Final Exam	
5/29/2016	33	Final Exam	

Matlab or Sage can be used to replicate solutions and graphs in the book. The Sage software is freeware and the manual for undergraduates is provided in the reading list. Dynare will be used to solve dynamic models and to illustrate the most important results involving the effects of alternative policy regimes. The students will not be required to use Dynare or Matlab, but if they do not have access to alternative software they will be required to learn to use SAGE early in the course.

There will be a class project involving world interest rates aimed at understanding the effect of U.S. monetary policy both before and after the 2008 financial crisis.

Note that Reading Material in pdf files can be found in the “Reading List” page on my website, GavinEcon.com

The password for the reading list will be given in class.