УрФУ імя першага Прэзідэнта Расіі Ельцына
Ural Federal University, Yekaterinburg, Russia
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Macro 3: Theories of Economic Fluctuations and Unemployment

Syllabus

Instructor: Gurgen Aslanyan
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Lectures: *TBA*
Office Hours: *TBA*

Course Description:

'Macro 3: Theories of Economic Fluctuations and Unemployment' is the fourth course in the Macroeconomics sequence of the Core Curriculum for USU Master Programme in Economics. The first half of the course introduces Neo-Classical and Neo-Keynesian theories on Real Business Cycles. The second half is devoted to Theories of Unemployment.

Course Objectives:

The main goal of the course is to enhance deeper understanding of macroeconomic modelling and to introduce some basic computational techniques. The course in no way intends to force the students to memorise the theory. The course is a valuable base for further studies in Advanced Economics.

Attendance:

Students are strongly advised to attend classes: Class participation is essential for this course. Most students will fail the course if they are not actively participating in class.

Academic Integrity:

All students that violate the academic honesty code will receive a failing grade. Academic honesty includes receiving and/or providing unauthorised help from/to other students on exams or quizzes.

Textbooks:

Romer, D. (2006). *Advanced Macroeconomics. Third Edition.* New York: McGrow-Hill

Agénor, P.R., & P.J. Montiel. (2008). Development Macroeconomics. Princeton University Press

Doepke, M., Lehnert, A. & A.W. Sellgren. Macroeconomics
http://faculty.wcas.northwestern.edu/~mdo738/textbook/main.pdf

Blanchard, O.J. , & S. Fischer. (1992). *Lectures on Macroeconomics*. Cambridge: MIT Press

Ljungqvist, L. & Sargent, T.J. (2004). *Recursive Macroeconomic Theory: Second Edition.*

Course Outline

(subject to change with prior notification)

Introduction: facts about the business cycle

*Romer, Ch. 4.1, Doepke Ch. 9.1

Dynamic Stochastic General Equilibrium models of the business cycle

*Romer, Ch. 4, Doepke Ch. 9

*Hokari, T. et al. (2007). Simulating a simple Real Business Cycle model using Excel. *Computers in Higher Education Economics Review, 19,* 16-20.

Plosser, C.I. (1989) Understanding Real Business Cycles. *Journal of Economic Perspectives,*3

Strulik, H. (2004). Solving rational expectations models using Excel. *Journal of Economic Education* 35, 269–283.

Summers, L.H. (1986). Some skeptical observations on Real Business Cycle Theory. *Quarterly Review,*10(4).

Prescott, E.C. (1986). Response to a Skeptic. *Quarterly Review* 10(4)

Prescott, E.C. (1986). Theory ahead of Business Cycle measurement. 10(4)

Cogley, T. & James, M.N, (1995). Output dynamics in a real business cycle model. *American Economic Review,* 85, 492-511.

Rotemberg, J. & Woodford, M. (1996). Real-business-cycle models and the forecastable movements in output, hours, and consumption. *American Economic Review,* 86, 71-89.

King, R., & Sergio R. (1999). Chapter 14: Resuscitating Real Business Cycles. In J.Taylor and M.Woodford (Eds.) *Handbook of Macroeconomics,* Vol. 1B. North Holland.

Holmstrom, B. & Tirole, J. (1997). Financial Intermediation, Loanable Funds, and the Real Sector. *Quarterly Journal of Economics, 112*(3), 663-9.

Models of non-competitive markets for RBC: Self-fulfilling prophecies and Sunspots

Farmer, R. (1993). *The Macroeconomics of Self-Fulfilling Prophecies*, MIT Press, Ch.7

Rotemberg, J. & Woodford, M. (1995). Dynamic General Equilibrium Models with Imperfectly Competitive Product Markets. in T.F. Cooley (Ed.), *Frontiers of Business Cycle Research*, Princeton University Press.

Benhabib, J. & Farmer, R. (1999). Indeterminacy and Sunspots in Macroeconomics. In J. Taylor & M. Woodford (Eds.) *The Handbook of Macroeconomics*, North Holland.

Theories of incomplete nominal adjustment

*Romer, Ch.6

Mankiw, N.G. (1989) Real Business Cycles: A New Keynesian Perspective. Journal of Economic Perspectives 3(3)

Ball, L., Mankiw, N.G. & Romer, D. (1988). The New Keynesian Economics and the output-inflation trade-off. Brookings Papers on Economic Activity 1, 1-65.

Basu, S., Fernald, J. & Kimball, M. (2006). Are technology improvements contractionary? American Economic Review

Labor markets and unemployment

*Romer, Ch.9; Doepke, Ch. 10,

Ljungqvist & Sargent, Ch.6

Hansen, G.D., & Wright, R. (1992). Labor market in Real Business Cycle Theory. Quarterly Review, 1992, 2-12.

Shapiro, C. & Stiglitz, J.E. (1984) Equilibrium unemployment as a worker-discipline device. American Economic Review 74, 433-44.

Rogerson, R., Shimer, R. & Wright, R. (2005). Search-theoretic models of the labor market: A survey. Journal of Economic Literature, 43, 959-988.

Mortensen, D. T., & Pissarides, C. A. (1994). Job creation and job destruction in the theory of unemployment. Review of Economic Studies, 61, 397-415

Grading

There will be some graded pop-up quizzes during lectures, take-home exams and final exams. Quizzes will be given in order to assess the comprehension of class material. No make-up quizzes will be offered. (Thus it is essential that the already covered material is studied before each class.) Cumulative performance on these quizzes will account for fifteen per cent of final grade. Presence and class participation contribute to another five per cent of the final grade.
The take home mid-term exams will be either individual or group work (as assigned). Together they will contribute thirty per cent towards the final grade. Final exam will be based on in-class presented material and assigned readings: It may include multiple choice questions, short answer questions and full-length problems to check students' understanding of the material. Students who miss an exam need to have a certificate from a medical or legal authority to justify the reason for having missed the exam. Otherwise a missed exam counts 0 towards the final grade.

The Final Grade is composed of	
Lectures	20%
· Activity 5%	
· Quizzes 15%	
Mid-term exams	30%
Final exam	50%
Total	**100%**