“Progress in economic thinking means getting better and better abstract, analogue economic models, not better verbal observations about the world.”

in “Methods and Problems in Business Cycle Theory”

Instructor: Jang-Ting Guo
Lectures: MW 1:45 – 3:30 p.m., Sproul Hall 2206
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Description: This course will study macroeconomic theory and its relationship to general equilibrium analysis. We start by looking at some stylized facts of the U.S. timer series data and discuss two basic growth theories. We then investigate how economic agents formulate expectations. Finally, we will examine the first of the two types of models that are used extensively in modern macroeconomics, which is based on the idea that economic agents are thought of as families who live forever.


The first two textbooks are available at the UCR bookstore. Other five references are placed on the Rivera Library’s reserve:
Discussion Section: There is a weekly discussion section held by Miroslav Gabrovski on Fridays. He will discuss the problem sets, conduct quizzes and answer questions in the sessions. It is imperative for you to attend all TA sessions.

Grading:

- Computer and Homework Assignments: 10%
- Quizzes: 10%
- Midterm Exam: 30%
- Final Exam: 50%

- Several computer assignments and part of the weekly problem sets will be graded. They would give you an idea about the types of questions that will appear on the midterm, final and cumulative exams.

- There will be a 30-minute quiz at the end of the first five TA sessions. The dates and coverage of each quiz are as follows:
  
  Quiz #1: Friday, October 10; Farmer, *Macroeconomics*, Chapters 1--3.
  Quiz #2: Friday, October 17; Farmer, *Macroeconomics*, Chapters 4--6.
  Quiz #4: Friday, October 31; Farmer, *Macroeconomics*, Chapters 10--12.
  Quiz #5: Friday, November 7; Farmer, *Macroeconomics*, Chapters 13, 17 and 18.

- If you miss the midterm exam for any reason, then the final exam will count for 80% of your grade.
- The midterm exam is tentatively scheduled on Saturday, November 15, 2014. The exact time and place will be announced later.
- The final exam is tentatively scheduled on Wednesday, December 17, 2014. The exact time and place will be announced later.
- There will be no alternate or make-up final exam.

Course Outline:

- A star (*) next to the reference item indicates that it is available from the Electronic Library Reserve.

0. Two Background Readings.


1. Introduction and Measurement. Macroeconomic Facts. (2 lectures)

Farmer, *Macroeconomics*, Chapters 1--3 and October 1995 manuscript*.
2. Intertemporal Optimization. Macroeconomic Dynamics. (2 lectures)

Farmer, Macroeconomics, Chapter 14 and October 1995 manuscript*.

3. Introduction to Neoclassical and Endogenous Growth Theories. (3 lectures)

Azariadis, Intertemporal Macroeconomics, Chapter 7.1--7.2.
Farmer, Macroeconomics, Chapters 15--16 and October 1995 manuscript*.

4. A Digression on Theories of Expectations. (1 lecture)

Begg (1982), Chapters 1--3.

5. Linear Difference Equations. Determinacy of Equilibrium. The Lucas Critique. (5 lectures)

Azariadis, Intertemporal Macroeconomics, Chapters 1--4, 6, 7.3, and Technical Appendices A.1--A.2.
Farmer, The Macroeconomics of Self-Fulfilling Prophecies, Chapters 1--3.


Farmer, The Macroeconomics of Self-Fulfilling Prophecies, Chapter 4.

7. **Impulses and Propagation Mechanism, Real Business Cycle Model.** (3 lectures)

Farmer, *Macroeconomics*, November 1996 manuscript, Chapter 19*.

**Final Notes**
- The course outline may be revised during the quarter.
- You are fully responsible for following up on all the announcements made in the lectures.