University of Wisconsin-Whitewater

Curriculum Proposal Form #3

## New Course

**Effective Term:**

**Subject Area - Course Number:** **ECON 742 Cross-listing:**

(See Note #1 below)

**Course Title:** (Limited to 65 characters) Advanced Topics in Macroeconomics

**25-Character Abbreviation:** Advanced Macro Topics

**Sponsor(s):** Yamin AHMAD, Eylem Ersal Kiziler

**Department(s):** Economics

**College(s):**

# **Consultation took place**: [x]  NA [ ]  Yes (list departments and attach consultation sheet)

Departments:

**Programs Affected:**

**Is paperwork complete for those programs?** (Use "Form 2" for Catalog & Academic Report updates)

[ ]  NA [ ]  Yes [ ]  will be at future meeting

**Prerequisites:** ECON 732

**Grade Basis:** [x]  Conventional Letter [ ]  S/NC or Pass/Fail

**Course will be offered:** [x]  Part of Load [ ]  Above Load

 [x]  On Campus [ ]  Off Campus - Location

**College:**  **Dept/Area(s):** Economics

**Instructor:** Eylem ERSAL KIZILER, Yamin AHMAD

 *Note: If the course is dual-listed, instructor must be a member of Grad Faculty.*

**Check if the Course is to Meet Any of the Following:**

[ ]  Technological Literacy Requirement [ ]  Writing Requirement

[ ]  Diversity [ ]  General Education Option:

Note: For the Gen Ed option, the proposal should address how this course relates to specific core courses, meets the goals of General Education in providing breadth, and incorporates scholarship in the appropriate field relating to women and gender.

**Credit/Contact Hours:** (per semester)

Total lab hours: 0 Total lecture hours: 48

Number of credits: 3 Total contact hours: 48

**Can course be taken more than once for credit? (Repeatability)**

[x]  No [ ]  Yes If "Yes", answer the following questions:

No of times in major:       No of credits in major:

No of times in degree:       No of credits in degree:

Proposal Information: ([***Procedures for form #3***](http://acadaff.uww.edu/UCC/Curriculum_Handbook_09/Procedures_form3.docx))

**Course justification:**

This proposed course will be one of the required courses for students, who choose to specialize in macroeconomic analysis. It is the second course in the graduate macroeconomic sequence. It extends the theories that students were introduced to in ECON 732, and exposes students to the techniques and models used in modern macroeconomic research and analysis. This course will cover a number of specific advanced fields of macroeconomic analysis, including an introduction to Real Business Cycle and New Keynesian Theories. The course will also provide an overview of recent developments in Monetary policy analysis, Fiscal policy analysis, the recent Financial Crisis (with comparisons to the Great Depression), and also provide an insight into the causes behind global imbalances.

**Relationship to program assessment objectives:**

Analytical and critical thinking, and quantitative skills as well as economic literacy are the learning objectives of the degree that this course addresses. The specific student learning outcomes (traits) that this course attends are:

* Students are able to identify and structure dynamic stochastic economic problems.
* Students are able to perform advanced optimization techniques and use Matlab to solve dynamic stochastic economic problems.
* Students have a thorough understanding of core macroeconomic concepts such as business cycles, monetary policy, fiscal policy, oil shocks and global imbalances and are able to read advanced articles from the discipline.

**Budgetary impact:**

* **Staffing**:- the course will be staffed by a Economics Department faculty that is Academically Qualified (AQ) and has Grad Faculty status.
* **Academic unit library and service & supply budget:** - no budgetary impact.
* **Campus instructional resource units**:- impact is minimal; students will require the use of Matlab (- a 4th generation computing language) in the course, and Matlab is available in the General Access labs in the Library and McGraw. In addition, Matlab is available in the computer labs in Hyland Hall where the course is anticipated to take place.
* **Laboratory/studio facilities:**- No budgetary impact
* **Classroom space:**- A classroom is anticipated to be required in Hyland Hall to teach the class. The class will meet for 1hour 15 minute session, twice per week.
* **Evaluation of adequacy of current library holdings, recommendations for acquisitions, and impact of the course on the academic unit library allocation budget:** - No impact. The course will be taught using a graduate textbook which students will be required to obtain.
* **Explanation if the course is simply replacing another course, either entirely or in the cycle:**- This is a new course for the MS Economics degree, and does not replace any other courses.

**Course description:** (50 word limit)

This course covers advanced topics in macroeconomics. Its purpose is to expose students to recent developments in the study of business cycles, and the effect and conduct of macroeconomic policies in open economies.

**If dual listed, list graduate level requirements for the following:**

1. **Content** (e.g., What are additional presentation/project requirements?)

2. **Intensity** (e.g., How are the processes and standards of evaluation different for graduates and undergraduates? )

3. **Self-Directed** (e.g., How are research expectations differ for graduates and undergraduates?)

**Course objectives and tentative course syllabus:**

**Econ 742 Advanced Topics in Macroeconomics**

**Spring 2014**

**Dr. Eylem ERSAL KIZILER**

**Email:** kizilere@uww.edu

**Office:** HH4403

**Tel:** x5586

**Class times:** TBD

**Final Exam Schedule:** TBD

The University Registrar determines the final exam schedule and it cannot be changed.

**Prerequisites:** Econ 732

**Resources for the course:**

There is no required textbook, but the following texts will be useful for the course:

* Romer, D., *Advanced Macroeconomics*, 4th edition, (McGraw-Hill), ISBN: 978-0073511375
* Obstfeld, M. and Kenneth Rogoff, *Foundations of International Macroeconomics*, 1996, (Cambridge: MIT Press), ISBN: 978-0262150477
* McCandless, G., *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*, 1st Edition, 2008, (Harvard University Press), ISBN: 978-0674028142
* Gali, J., *Monetary Policy, Inflation and the Business Cycle*: *An Introduction to the* *New Keynesian Framework*, 1st Edition, 2008, (Princeton University Press), ISBN: 978-0691133164

**Office hours:** Walk-in: TR 3:30 pm - 6:30 pm, and by appointment; Electronic: W 10:00 am - 12:00 pm.

**Please read the syllabus fully and carefully, and keep it in your records. If you remain enrolled to this course after reading this syllabus, it means you agree to comply with its terms.**

**Course Description and Objectives**

This course covers advanced topics in macroeconomics. Its purpose is to expose students to recent developments in the study of business cycles, and the effect and conduct of macroeconomic policies in open economies.

The ﬁrst part of the course covers some theoretical and methodological tools that will be useful for reading and conducting research in macroeconomics. The second part focuses on the important episodes of U.S. economic history such as “Great Depression”, “Great Recession” of 2007-09 and its aftermath. The last part of the course will be devoted to introduction of global imbalances and international financial structure.

**Course Performance Assessment and Grading**

This course has the following requirements, which will be used to assign you a grade at the end of the semester. There will be assignment, a written project, and a final exam. These will be weighted as follows:

|  |  |
| --- | --- |
| Assignments | 25% |
| Written Project | 30% |
| Final Exam | 45% |
| TOTAL | 100% |

The letter grades will only be assigned to the total grades you get at the end of the course. Below table provides general guidelines. Please note that it is only an approximation.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| A | >=86% |  |  | C+ | 66-69% |
| A- | 82-85% |  |  | C | 62-65% |
| B+ | 78-81% |  |  | C- | 56-61% |
| B | 74-77% |  |  | D | 50-55% |
| B- | 70-73% |  |  | F | <50% |

**Attendance Policy**

Enrollment in this course is taken as a commitment from you that you have made room in your life to fulfill the obligations of this course - coming to class, being there for exams when they are scheduled, etc.  I will not record attendance, but you will find yourself at a significant disadvantage if you miss class.  **It is the student’s responsibility to obtain any materials or information missed due to absence.**

**Advice**

The key piece of advice that I would say to you is to make sure you spend sufficient time trying to grasp the ideas that are being presented in class and in the papers you will read. These ideas are often complex and it takes time to fully grasp the issue at hand. You may find it useful as well to attend my office hours with any questions that you have. However, if you choose to use office hours, please come prepared with a list of questions, as that will probably allow us to use the time more effectively.

There is a lot of math in this course**. If you get stuck or feel like you’re falling behind, talk to your peers and do come to my office hours!** Come and see me if you have any questions whatsoever, be it about the material, or some concept you haven’t fully grasped yet. It will be easier for me to put you on the right track rather than have you struggle through something that you do not understand.

**Policy Statement**

*The University of Wisconsin-Whitewater is dedicated to a safe, supportive and non-discriminatory learning environment.  It is the responsibility of all undergraduate and graduate students to familiarize themselves with University policies regarding Special Accommodations, Misconduct, Religious Beliefs Accommodation, Discrimination and Absence for University Sponsored Events.  (For details please refer to the Undergraduate and Graduate Timetables; the “Rights and Responsibilities” section of the Undergraduate Bulletin; the Academic Requirements and Policies and the Facilities and Services sections of the Graduate Bulletin; and the “Student Academic Disciplinary Procedures” [UWS Chapter 14]; and the “Student Nonacademic Disciplinary Procedures” [UWS Chapter 17].*

**UWW Student Honor Code**

*As members of the University of Wisconsin – Whitewater College of Business & Economics community, we commit ourselves to act honestly, responsibly, and above all, with honor and integrity in all areas of campus life.  We are accountable for all that we say and write.  We are responsible for the academic integrity of our work.  We pledge that we will not misrepresent our work nor give or receive unauthorized aid.  We commit ourselves to behave in a manner that demonstrates concern for the personal dignity, rights and freedoms of all members of the community.  We are respectful of college property and the property of others.  We will not tolerate a lack of respect for these values.*

*This code originated at Wheaton College.*

**Course Outline and Reading List**

The following course outline is tentative and may be subject to change.

1. Real Business Cycle Theory
2. Stadler, G., 1994, ‘Real Business Cycles,’ *Journal of Economic Literature* XXXII, 1750-1783.
3. Plosser, C., 1989, ‘Understanding Real Business Cycles,’ *Journal of Economic Perspectives* 3:3, 51-77. Focus on pages 51-66. Students comfortable with calculus should also read the appendix.
4. King, Robert G., Charles I. Plosser and Sergio Rebelo (1988), "Production, Growth and Business Cycles I: The Basic Neoclassical Model", *Journal of Monetary Economics*, 21, pp 195 - 232
5. New-Keynesian Theory

*Gali Chapter 3*

* 1. Mankiw, N.G., 1989, ‘Real Business Cycles: A New Keynesian Perspective,’ *Journal of Economic Perspectives*, 3:3, 79-90.
	2. Goodfriend, M. and R. King, 1997, “The New Neoclassical Synthesis and the Role of Monetary Policy”. In B. S. Bernanke and J. J. Rotemberg (Eds.), *NBER Macroeconomics Annual*, 1997, 2:1, pp. 231 – 283. Cambridge, MA: MIT Press
	3. Rotemberg, J. and M. Woodford, 1997, “An Optimization Based Econometric Framework for the Evaluation of Monetary Policy”. In  B. S. Bernanke and J. J. Rotemberg (Eds.), *NBER Macroeconomics Annual*, 1997, 2:1, pp. 297 – 346. Cambridge, MA: MIT Press
	4. Erceg, C., D. Henderson and A. Levin, 2000, “Optimal Monetary Policy with Staggered Wage and Price Contracts”, *Journal of Monetary Economics,*46, pp. 281 - 313
1. Monetary Policy

*Davis Chapter 6; Gali Chapter 4*

1. Mishkin, F., 1995, “Symposium on the Monetary Transmission Mechanism”, *Journal of Economic Perspectives,*9:4, pp. 3-10
2. Bernanke, B. and F. Mishkin, 1997, "Inflation Targeting: A New Framework for Monetary Policy?", *Journal of Economic Perspectives*, 11:2, pp. 97 - 116.
3. Bernanke, B. and M. Gertler, 1995, “Inside the Black Box: The Credit Channel of Monetary Policy Transmission”, *Journal of Economic Perspectives*, 9:4, pp. 27-48
4. Meltzer, A., 1995, “Monetary, Credit and (Other) Transmission Processes: A Monetarist Perspective”, *Journal of Economic Perspectives,*9:4, pp. 49-72
5. Romer, Christina D., and David H. Romer (1989): "Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz," in Olivier J. Blanchard and Stanley Fischer (eds.), *NBER Macroeconomics Annual 1989*, Cambridge: MIT Press
6. Clarida, R., J. Gali and Mark Gertler, 2000, "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory", *Quarterly Journal of Economics*, February 2000, pp. 147 - 180.
7. Fiscal Policy
	1. Blinder, A., R. Solow 1972, “Does Fiscal Policy Matter?”, Econometric Research Program Research Memorandum No. 144.
	2. Baxter, M. and R.G. King, 1993, “Fiscal Policy in General Equilibrium”. American Economic Review, 83 (3) pp.315-334.
	3. Easterly, W., S. Rebelo 1993, “Fiscal Policy and Economic Growth”, Journal of Monetary Economics, 32(3) pp. 417-458, December.
	4. Gali, Jordi, J. David Lopez-Salido and Javier Valles [2003]: \Understanding the Effects of Government Spending on Consumption", mimeo, Universitat Pompeu Fabra
	5. Perotti,R. 2005, “Estimating the Effects of Fiscal Policy in OECD Countries”, CEPR Discussion Papers, No. 4842.
8. The Financial Crises of 2007-2009
9. Reinhart, Carmen M., and Kenneth S. Rogoff 2008, “Is the 2007 US sub-prime financial crisis so different? An international historical comparison.” No. w13761. National Bureau of Economic Research.
10. Chari, Varadarajan V., Lawrence Christiano, and Patrick J. Kehoe. "Facts and Myths about the Financial Crisis of 2008." Federal Reserve Bank of Minneapolis Working Paper 666 (2008).
11. Lessons from the Great Depression
12. Temin, Peter. Lessons from the great depression. Vol. 1. MIT Press, 1991.
13. BERNANKE, BEN S. "The Macroeconomics of the Great Depression: A Comparative Approach." Journal of Money, Credit, and Banking 27.1 (1995): 1-28.
14. Eichengreen, Barry, and Kevin H. O’rourke. "A tale of two depressions."VoxEU. org 6 (2009).
15. Oil Prices, and Inflation
16. Hooker, Mark A. 2002.“Are Oil Shocks Inflationary? Asymmetric and Nonlinear Specifications versus Changes in Regime.” Journal of Money, Credit, and Banking 34 (May), pp. 540–561.
17. Hamilton, James D. Understanding crude oil prices. No. w14492. National Bureau of Economic Research, 2008.
18. Hamilton, James D. "Oil and the macroeconomy since World War II." The Journal of Political Economy (1983): 228-248.
19. Global Imbalances, and International Financial Adjustment
20. Obstfeld, M. and K. Rogoff (1994), “The Intertemporal Approach to Current Account”, NBER Working Paper 4893.
21. Lucas, R. (1990) “Why Doesn’t Capital Flow from Rich to Poor Countries?”, American Economic Review, 80(2) pp. 92-96.
22. Gourinchas, Pierre-Olivier, Hélene Rey, and Nicolas Govillot. Exorbitant privilege and exorbitant duty. Institute for Monetary and Economic Studies, Bank of Japan, 2010.
23. Gourinchas, Pierre-Olivier, and Helene Rey. International financial adjustment. No. w11155. National Bureau of Economic Research, 2005.
24. Gourinchas, Pierre-Olivier. "Valuation effects and external adjustment: A review." Annual Conference at the Banco Central de Chile. 2007.
25. Lane, Philip R., and Gian Maria Milesi-Ferretti. "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970–2004." Journal of international Economics 73.2 (2007): 223-250.

**Tentative Schedule**

Week 1: Introduction

Week 2 -3: The Real Business Cycle Theory

Week 4-5: The New Keynesian Theory

Week 6-7: Monetary Policy

Week 8-9: Fiscal Policy

Week 10-11: The Financial Crises of 2007-2009

Week 12: Lessons from The Great Depression

Week 13: Oil Prices and Inflation

Week 14-15: Global Imbalances, and International Financial Adjustment

**BIBLIOGRAPHY**

1. Baxter, M. and R.G. King, 1993, “Fiscal Policy in General Equilibrium”. American Economic Review, 83 (3) pp.315-334.
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21. Lucas, R. (1990) “Why Doesn’t Capital Flow from Rich to Poor Countries?”, American Economic Review, 80(2) pp. 92-96.
22. Mankiw, N.G., 1989, ‘Real Business Cycles: A New Keynesian Perspective,’ *Journal of Economic Perspectives*, 3:3, 79-90.
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29. Romer, Christina D., and David H. Romer (1989): "Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz," in Olivier J. Blanchard and Stanley Fischer (eds.), *NBER Macroeconomics Annual 1989*, Cambridge: MIT Press.
30. Rotemberg, J. and M. Woodford, 1997, “An Optimization Based Econometric Framework for the Evaluation of Monetary Policy”. In  B. S. Bernanke and J. J. Rotemberg (Eds.), *NBER Macroeconomics Annual*, 1997, 2:1, pp. 297 – 346. Cambridge, MA: MIT Press
31. Stadler, G., 1994, ‘Real Business Cycles,’ *Journal of Economic Literature* XXXII, 1750-1783.
32. Temin, Peter. Lessons from the great depression. Vol. 1. MIT Press, 1991.