

Economics 6140: Macroeconomics II

Cornell University, Spring 2010

Professor:

Karl Shell ks22@cornell.edu

402 Uris Hall

Tentative Office Hour: Thursdays 3pm -4pm

Teaching Assistant:

Yu Zhang shelloffice@cornell.edu

402 Uris Hall

255-5618

Office Assistants:

Max Mihm

John Owsley

Yu Zhang

402 Uris Hall

255-5618

shelloffice@cornell.edu

Prerequisite:

Economics 6130 (Macro I) or the consent of Professor Shell

Organizational Meeting:

- Monday, January 25, 2010, Baker Lab 219
- Collect student data:
 - Last name, First name
 - E-mail
 - Degree Program (PhD, BS, MA, or ...)
 - Field (Economics, AEM, ...)
 - Department and School
- Timing of future lectures
- Grading for course:
 - 2-hour final, 50%
 - 2, 1-hour quizzes, 25% x 2
 - Weekly problem sets

Lecture notes and readings:

- Posted at www.karlshell.com
- Course re-designed to bring in more on financial fragility, bank runs, excess volatility, sunspot equilibrium, money-and-search

What is macro-economics?

- **Connotation versus denotation:**

- Denotation

Macro is based on aggregates: Y, K, L, C, Z, ...

Followed from pioneering work of Simon Kuznets (Penn & Harvard) & Richard Stone (DAE, Cambridge).

Keynes, Hicks, Samuelson, Klein. Followed by Lucas, Prescott,

- Connotation:

Macro is about money, finance, time, expectations, interest rates, exchange rates

- Macro is General Equilibrium (but not necessarily Walrasian)
- Macro is theoretical, empirical, computational, and historical. Macro attempts to be timely.

Tentative Course Outline

- Organization
- What is macro?
- Production
 - Production functions
 - Factor rewards
 - 1-sector model
 - 2-sector model
- Intertemporal economics
- Economics of uncertainty
- Economic Growth
 - Descriptive: simple saving function
 - Golden Rule, Modified Golden Rule
 - Intertemporal Efficiency & Over-saving
 - Optimal growth & turnpike
 - Endogenous Growth
 - Ideas
 - Patents
- Taxes denominated in money, I

- Overlapping Generations
 - Taxes denominated in money, II. Bonafidelity.
 - Dynamics
 - Oversaving

- Financial Fragility
 - Bank runs
 - Other panics

- Excess volatility
 - Leverage cycle
 - Sunspot equilibrium
 - Correlated equilibrium
 - Market-game
 - General price level