

ECON 6830 SPECIAL TOPICS IN ECONOMICS III

The Chinese University of Hong Kong

Spring 2019

Course Information

Instructor: Guangyu PEI (guangyu.pei@cuhk.edu.hk), ELB 1011

Office Hours: Thu 2:30 p.m. - 4:15 p.m. or by appointment (preferred)

Lectures: Mon 2:30 p.m. - 5:15 p.m., ELB 304

Course Description

This course covers state-of-art core materials of modern business cycle theories. The course is designed to equip students with the ability to use "Dynamic Stochastic General Equilibrium (DSGE)" framework in understanding economic fluctuations both positively and normatively. In this course, we will review key facts of business cycle fluctuations and study the workhorse theoretical frameworks, namely the real business cycles (RBC) and new Keynesian (NK) frameworks, in explaining these facts. Empirical performance and the corresponding policy implications will also be discussed. Some selected topics in the field of business cycle theory will also be discussed.

Learning outcomes

After taking the course, graduate students (MPhil/ Ph.D.) should be familiar with tools, modeling techniques as well as economic intuitions in business cycle theories. They are expected to obtain the ability to use the DSGE framework in doing independent research about business cycle fluctuations.

Grading

Grade will be determined by class participation (10%), midterm exam (40%) and final exam (50%).

Exam Schedule

Midterm exam	TBD
Final exam	TBD

No reschedule of the midterm exam will be given. Please be noted that if you cannot attend either the midterm or the final exam, you need to send an email to the instructor BEFORE the exam, and you are required to provide proofs for your absence. Only medical or family emergency are accepted as reasons for absence from examination. If you miss the midterm exam, your performance will be evaluated based on

class participation (10%) and final exam (90%). Please be noted that late-drop of the course is not permitted unless you can provide very strong justification.

Course Materials

The course materials consist of a collection of lecture notes, research papers and some chapters from the following books:

Gali Jordi. *“Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework”*, 2nd edition, Princeton University Press, 2015.

Ljungqvist Lars, and Thomas Sargent. *“Recursive Macroeconomic Theory”*, 2nd edition, MIT Press, 2004

Topics (Subject to Potential Changes)

1. Stylized Facts of Business Cycles
2. A Brief History of Business Cycle Theories and Some Clarifications
3. The RBC Framework and Extensions
4. The RBC Framework with Money
5. Optimal Policy
 - Ricardian equivalence
 - Ramsey problem
 - Tax smoothing
 - Chamley-Judd on zero capital taxation
 - Friedman rule
6. The New Keynesian (NK) Framework
7. Monetary Policy
8. Expectation-Driven Business Cycles
9. Incomplete Markets

Academic Honesty

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations.

Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty>.