

University of Toronto
Department of Economics
ECO 2061H
Economic Theory – Macroeconomics (MA)
Winter 2012

Instructor	Professor Tasso Adamopoulos
Office	GE 202, Max Gluskin House, 150 St. George Street
Contact	Email: adamopou@chass.utoronto.ca , Phone: (416) 978-8695
Lecture Hours	Every Tuesday, 9:00 - 11:00 a.m., at SS-2111. Every second Thursday (starting Jan. 12), 9:00 - 11:00 a.m., at WW-126. In particular we will have lectures on: Jan.10, Jan.12, Jan.17, Jan.24, Jan.26, Jan.31, Feb.7, Feb.9, Feb.14, Feb.28, March 1 (midterm), March 6, March 13, March 15, March 20, March 27, March 29, April 3.
Tutorials	The rest of the Thursday slots (9:00 - 11:00 a.m., at WW-126) will be used for 6 tutorials. The tutorial dates are: Jan.19, Feb.2, Feb.16, March 8, March 22, April 5.
Office Hours	Tuesday, 11:00 a.m. - 1:00 p.m., or by appointment.
Course Web Page	http://www.economics.utoronto.ca/adamopou/eco2061.htm The website will be used extensively for posting announcements, lecture notes, problem sets, and solutions. Please consult it on a regular basis.
Teaching Assistant	The TA is Leandro Freyjeler. He will hold 2 hours of office hours per week, TBA.
Course Description	The objective of this course is to introduce you to the study of macroeconomics at the advanced level. This means that we will use rigorous models and employ (dynamic) optimization techniques to present and analyze macroeconomic theories. A common theme across the models we will study is that economic aggregates are the equilibrium result of the optimizing decisions made by rational agents at the individual level. We will employ this rigorous approach, not as an end in itself, but as a means to obtain disciplined insights into the important questions that trouble macroeconomists. The topics we will cover include economic growth, business fluctuations, consumption and investment, employment and unemployment, and fiscal and monetary policy.
Textbook	The required textbook is <i>Advanced Macroeconomics</i> (4 th Edition), by David Romer, McGraw Hill, 2012.
Other References	<ul style="list-style-type: none">• Obstfeld M. and K. Rogoff (1996), <i>Foundations of International Macroeconomics</i>, MIT Press.

- Cooley, T. (1995), *Frontiers of Business Cycle Research*, Princeton University Press.
- Pissarides, C. (2000), *Equilibrium Unemployment Theory*, MIT Press.

Evaluation

Assignments (worth 15%): 3 assignments on dates TBA

Midterm Test (worth 35%): Thursday, March 1, 2012

Final Exam (worth 50%): April exam period

The problem sets must be handed in on the pre-specified dates. No late submissions will be accepted. If a problem set is not handed in on time, for a justified and documented reason, the weight will shift to the final exam.

The midterm test will be held during class time. There will be no make-up exam for the midterm test. If you provide appropriate and timely documentation for missing the midterm, the weight will be transferred to the final exam.

The final exam will be held at a date and location to be set by the University. The final exam will include all the material covered in the course.

Preliminary List of Topics and Readings List

INTRODUCTION

Prescott E.C., [The Transformation of Macroeconomic Policy and Research](#), 2004 Nobel Prize Lecture.

ECONOMIC GROWTH AND DEVELOPMENT

Stylized Facts

Pritchett, Lant (1997), "[Divergence, Big Time](#)", *Journal of Economic Perspectives*, 11(3), pp.3-17.

McGrattan, Ellen and James Schmitz Jr. (1999), "[Explaining Cross-Country Income Differences](#)", *Handbook of Macroeconomics*, Vol. 1A, North-Holland. – Section 2, pp.6-10.

Jones, Charles (2002), *Introduction to Economic Growth*, (2002), 2nd Edition, W.W. Norton and Company Inc. - Chapter 1.

Romer, Ch.1, pp.6-10.

Growth Theory

- ***Solow Growth Model***

Romer, Ch.1, pp.10-37.

Mankiw, Gregory, David Romer, and David Weil (1992) "[A Contribution to the Empirics of Economic Growth](#)," *Quarterly Journal of Economics*, vol. 107, pp. 407-437.

- ***Ramsey, Cass, Koopmans Model***

Romer, Ch.2, pp.49-77.

- ***Overlapping Generations Model***

Romer, Ch.2, pp.77-93.

- ***AK Model***

Rebelo, Sergio (1991), "[Long Run Policy Analysis and Long Run Growth](#)," *Journal of Political Economy*, 99, pp.500-521.

Obstfeld and Rogoff, Ch.7, pp.473-478.

Romer, Ch.3, pp. 121-123.

Cross - Country Income Differences

Romer, Ch.4.

Caselli, Francesco (2005), [Accounting for Cross-Country Income Differences](#), *Handbook of Economic Growth*, Ch.9, Philippe Aghion and Steven Durlauf (eds.), Elsevier.

Hall, Robert E. and Charles I. Jones (1999), "[Why Do Some Countries Produce so much more Output per Worker than Others?](#)," *Quarterly Journal of Economics*, Vol.114, No.1, pp.83-116.

Restuccia, Diego, and Carlos Urrutia (2001), "[Relative Prices and Investment Rates](#)," *Journal of Monetary Economics*, Vol.47 (1), pp.93-121.

Klenow, Peter J. and Andres Rodriguez-Clare (1997), "[The Neoclassical Revival in Growth Economics: Has it Gone Too Far?](#)," in Ben S. Bernanke and Julio J. Rotemberg, eds., *NBER Macroeconomics Annual 1997*, Cambridge, MA: MIT Press

Easterly, William, and Ross Levine (2001), "[It's Not Factor Accumulation: Stylized Facts and Growth Models](#)" *World Bank Economic Review*, 15(2).

Acemoglu, Daron, Simon Johnson and James A. Robinson (2005), "[Institutions as the Fundamental Cause of Long-Run Growth](#)," Handbook of Economic Growth (Philippe Aghion and Stephen Durlauf, eds., North Holland). – Introduction.

BUSINESS CYCLES

Real Business Cycles Theory

Romer, Ch.5.

Cooley, Thomas, and Edward Prescott (1995), "Economic Growth and Business Cycles," Ch.1, in *Frontiers of Business Cycle Research*, by T.Cooley (ed), Princeton University Press.

Prescott, Edward (1986), "Theory [Ahead of Business Cycle Measurement](#)," *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall, 9-22

King, Robert, and Sergio Rebelo (2000), "[Resuscitating Real Business Cycles](#)," in *Handbook of Macroeconomics*, by J.Taylor and M.Woodford, North-Holland.

Keynsian Business Cycle Theory

- ***Traditional Keynsian Theories***

Romer, Ch.6, Part A.

- ***Micro Foundations of Incomplete Nominal Adjustments***

Romer, Ch.6, Part B.

Bils, Mark, and Peter Klenow (2004), "[Some Evidence on the Importance of Sticky Prices](#)", *Journal of Political Economy* 112, pp. 947-985

Financial Factors and Business Cycles

Christiano, Lawrence, Roberto Motto, and Massimo Rostagno (2010), "[Financial Factors and Economic Fluctuations](#)," *European Central Bank Working Paper Series No. 1192*.

UNEMPLOYMENT/EMPLOYMENT

Romer, Ch.10.

Pissarides, C. (2000), *Equilibrium Unemployment Theory*, Ch.1.

Rogerson, Richard (2001), "[The Employment of Nations – A Primer](#)," *Economic Review*, Federal Reserve Bank of Cleveland.

Ljungqvist, Lars, and Thomas J. Sargent (1998), "[The European Unemployment Dilemma](#)," *Journal of Political Economy*, 106, pp.514-550.

Prescott, Edward C. (2004), "[Why Do Americans Work So Much More Than Europeans?](#)" *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol.28, No.1, pp.2-13.

INFLATION AND MONETARY POLICY

Romer, Ch.11.

Kydland, Finn, and Edward Prescott (1977), "[Rules Rather Than Discretion: The Inconsistency of Optimal Plans](#)," *Journal of Political Economy*, 85(3), pp.473-492.

FISCAL POLICY

Romer, Ch.12.

Eggertsson, Gauti (2009), "[What Fiscal Policy is Effective at Zero Interest Rates?](#)" New York Fed Staff Report No. 402.

Sargent, Thomas J. (2012), "[United States Then, Europe Now](#)," Nobel Prize Lecture.

Correia, Isabel, Emmanuel Farhi, Juan Pablo Nicolini, and Pedro Teles (2011), "[Unconventional Fiscal Policy at the Zero Bound](#)," Manuscript, Harvard University.

CONSUMPTION AND INVESTMENT

Romer, Ch.8.

Romer, Ch.9.

Lucas, Robert (1978), "[Asset Prices in Exchange Economy](#)," *Econometrica* 46, pp. 1426-1445.