

University of Toronto
Winter 2012

Professor Alexopoulos
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Course Outline ECO2061H,S
Economic Theory- Macroeconomics (MFE)
Winter 2012

Time and Location: Lectures will be held every Tuesday 12-2 and Thursday 11-1 in GE100. Tutorials will be held every second week on Tuesday 12-2 in GE100 starting on week three. The preliminary schedule is as follows:

Lecture dates:

Jan 10, 12, 17, 19, 26, 31

Feb 2, 9, 14, 16

March 1 (MIDTERM), 6, 8, 15, 20, 22, 29,

April 3, 5

Tutorial times:

Jan 24, Feb 7 (PS #1), Feb 28 (PS#2), March 13 (PS#3), March 27 (PS#4)

Office Hours: Prof. Alexopoulos will hold office hours by appointment. Mr. [Qiao Yang](mailto:bill.yang@utoronto.ca) (email bill.yang@utoronto.ca) is the T.A. for the course. He will announce the schedule of his office hours shortly and they will be posted on my webpage

Course Outline: The course is intended to familiarize students with current topics in macroeconomics. Topics covered will include economic growth, consumption and investment, business cycle theory and unemployment. Calculus will be used throughout the course.

Grading: The term grade will be made up of a mid-term exam that will count for 65% of your term grade, two assignments (each worth 10%), and one assignment worth (15%). The final exam will count for 100% of the Exam mark referred to below.

The final course grade will be calculated as follows

$$\text{Max (Term Grade} \times 40\% + \text{Exam} \times 60\%, \text{Term Grade} \times 60\% + \text{Exam} \times 40\%)$$

The mid-term will be scheduled for March 1.

The date of the Final will be announced when the exam timetable is available.

Textbook: Romer, David. *Advanced Macroeconomics*, 4rd. Edition. McGraw Hill. However a third edition version should be fine if you locate a used copy.

Topics:

1. Economic Growth.

1.1. The Growth Facts.

1.2. The Neoclassical Growth Model.

1.3. The Planner's problem.

1.4. The Competitive Equilibrium.

- Class notes.
- Romer, D. 2006. Chapter 1 & 2.

2. Consumption and Investment.

2.1. The Life Cycle and Permanent Income hypothesis.

2.2. Consumption under uncertainty: The Random Walk Hypothesis.

2.3. Consumption and Risky Assets.

2.4. Investment and the Cost of Capital.

2.5. A Model of Investment with Adjustment Costs.

- Class notes.
- Kocherlakota, N. R. (1996). The Equity Premium: It's Still a Puzzle. *Journal of Economic Literature* 34 (March): 42-71.
- Romer, D. 2006. Chapter 7 and 8.

3. Business Cycle Analysis

3.1. The Business Cycle Facts.

3.2. Real Business Cycle Theory.

3.3. Sticky Prices and Limited Participation

- Class notes.
- Romer, D. 2006. Chapter 4
- Cooley, Thomas and Edward Prescott. 1994. Economic Growth and Business Cycles in *Frontiers of Business Cycle Research*. Thomas Cooley Editor. Princeton University Press.
- Prescott, E. 1986. Theory Ahead of Business Cycle Measurement. *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall, 9-22
- Christiano, Lawrence, Martin Eichenbaum and Charles Evans. (1997). "Sticky Price and Limited Participation Models of Money: A Comparison", *European Economic Review* 41, 1201-49.

4. Theories of Unemployment

4.1. Indivisible Labour

4.2. Efficiency Wages

4.3. Implicit Contracts

4.4. Insider Outsider Models

4.5. Search and Matching

- Class notes
- Romer, D. 2006. Chapter 9
- Hansen, Gary D. (1985). "Indivisible Labor and the Business Cycle", *Journal of Monetary Economics* 16, 309-27.