

University of Toronto
Winter 2018

Professor Alexopoulos
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Course Outline ECO2061H,S
Economic Theory- Macroeconomics (MA)
Winter 2018

Time and Location: Lectures and tutorials will be held every Tuesday 1-3 and Thursday 1-3 in EM119. The preliminary schedule for Lectures and tutorials are as follows:

Lecture dates:

Jan 4, 9, 16, 23, 25,
Feb 6, 8, 27,
March 1, 8, 20, 22, 27
April 3

Tutorial times:

Jan 11, 18, 30
Feb 15,
March 1, 13, 29

Midterm Dates:

Feb 1
Mar 15

Office Hours: Prof. Alexopoulos will hold office hours by appointment. Ms. Wanlin Chen wanlin.chen@mail.utoronto.ca is the T.A. for the course. She will announce the schedule of her office hours.

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 two midterms that will count for 50% each. 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 midterm will be scheduled for Feb 1, and March 15. The date of the Final will be announced when the exam timetable is available.

Textbook: Romer, David. *Advanced Macroeconomics*, 4th. Edition. McGraw Hill.

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 8 and 9.

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 5
- 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 10
- Hansen, Gary D. (1985). "Indivisible Labor and the Business Cycle", *Journal of Monetary Economics* 16, 309-27.