

University of Toronto
Winter 2019

Professor Alexopoulos
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Course Outline ECO2061S
Economic Theory- Macroeconomics (MA)
Winter 2019

Time and Location: Lectures and tutorials will be held every Tuesday 1-3 and Thursday 1-3 in SS1085.

The preliminary schedule for Lectures and tutorials are as follows:

Lecture dates:

Jan 8, 10, 15, 22, 24, 29

Feb 12, 14, 26, 28

March 5, 19, 21, 26, April 2

Tutorial times:

Jan 17, 31

Feb 5,

March 7, 12

April 4

Midterm Dates:

Feb 7

March 14

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.

Textbook: Romer, David. *Advanced Macroeconomics*, 5th. Edition. McGraw Hill.

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 midterms will be scheduled for Feb 7, and March 14. The date of the Final will be announced when the exam timetable is available. No makeup midterms will be offered. If a midterm is missed due to illness, and the procedure on missed midterms is followed, the weight from the missing term test will be shifted to the other term test. MIDTERMS WILL BE GIVEN IN THE NORMAL CLASSROOM.

Re-grading Policy: Students who want to have a term test re-graded must submit a re-grade form *within two weeks of receiving the grade*. The re-grade form is available on the class website.

Web-Site: Announcements, lecture notes, suggested problems, and any other class-related material will be posted on Blackboard. Suggested sample problems will be assigned for each topic but will not be graded.

E-mail Policy: The best form of communication in this course is in person, either with me or the TAs during lecture, tutorials, and office hours. In the event that an e-mail communication is needed, please make sure to always identify yourself and to use your UTOR e-mail account (the “utoronto” account). E-mails from other accounts may not reach my INBOX.

Academic integrity: The University of Toronto seeks to maintain the highest levels of Academic integrity to protect the value of your education and the degrees earned here at the University. As such, it is important for all students to familiarize themselves with the University’s Code of Behaviour on Academic Matters. The following link outlines offences under the code:
<http://www.governingcouncil.utoronto.ca/Assets/Governing+Council+Digital+Assets/Policies/PDF/ppjun011995.pdf>

According to Section B, it is an offence for students to:

- (1) Receive unauthorized assistance on any assignment, test or examination.
- (2) Provide unauthorized assistance to any other student on tests, assignments or examinations.
- (3) Falsify or alter any documentation required by the University.
- (4) Use or possess any unauthorized aids in any test or exam
- (5) Continue writing on any test or exam papers when the time is up.
- (6) Submitting medical documentation for missed work, tests or examination when the student is not actually sick.
- (7) Plagiarize.

These are among the most common offences. However, it should be noted that there are other offences covered under the Code, and students are responsible for being familiar with all of them. The website of the Office of Student Academic Integrity has some tips on how to avoid academic misconduct at <http://www.artsci.utoronto.ca/osai/students/avoid-misconduct>

Policy on Illness and Make-up Midterm

If a student is ill for a midterm examination, the student must follow the procedures of the Department of Economics and the University. There are two steps that must be completed. First, a student who misses the test must provide me with a copy of a University of Toronto Medical certificate stating the nature of the illness and the fact that the individual was too ill to write an examination. A copy of this certificate is available from your college registrars, health services or on the following website:

[http://www.illnessverification.utoronto.ca/document/Verification%20of%20Student%20Illness%20\(VOI\)%20-%20March%207%202018%20-%20AODA.pdf](http://www.illnessverification.utoronto.ca/document/Verification%20of%20Student%20Illness%20(VOI)%20-%20March%207%202018%20-%20AODA.pdf)

You should see the doctor on the day of the exam/midterm so that the doctor is able to verify you were too ill to write the test on the day it is scheduled. Notes that are based on reported illnesses to doctors after the fact will not be accepted as proof you were too ill to write on the day the test was given. The completed form must be delivered to me no later than 7 days after the midterm is written.

Second, the student must e-mail me **ON THE DAY** of the missed exam to inform me of the illness. Failure to complete these two steps will render the student ineligible to shift the weight of the missed term test and a grade of zero will be assigned.

Accessibility

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible:

accessibility.services@utoronto.ca or <https://www.studentlife.utoronto.ca/as>.

Notification of Class Cancellations

Each day before class check the class page on portal to see if class is cancelled due to illness.

Rescheduling of Class

In the event I need to cancel a class, I will attempt to have a guest lecturer take the class. However, if no alternate lecturer can be found for class, the material will be presented during the tutorial hour of the course time slot.

Missed Lecture Notes

When giving lectures, I handwrite the notes on a tablet computer. These notes will be available to students on the portal.

Preliminary outline of 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 Chapter 1 & 2.

2. Business Cycle Analysis

- 2.1. The Business Cycle Facts.**
- 2.2. Real Business Cycle Theory.**
- 2.3. Sticky Prices and Limited Participation**
 - Class notes.
 - Romer 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.

3. Theories of Unemployment

- 3.1. Indivisible Labour**
- 3.2. Efficiency Wages**
- 3.3. Implicit Contracts**
- 3.4. Insider Outsider Models**
- 3.5. Search and Matching**
 - Class notes
 - Romer Chapter 11
 - Hansen, Gary D. (1985). "Indivisible Labor and the Business Cycle", *Journal of Monetary Economics* 16, 309-27.

4. Consumption and Investment.

4.1. The Life Cycle and Permanent Income hypothesis.

4.2. Consumption under uncertainty: The Random Walk Hypothesis.

4.3. Consumption and Risky Assets.

4.4. Investment and the Cost of Capital.

4.5. 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 Chapter 8 and 9.