

ECO 325H – Advanced Economic Theory: Macro

SYLLABUS

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Objectives

This course is designed for majors and specialists in economics who wish to prepare for graduate work in economics and/or expand their understanding of modern macroeconomic theory. During this course, students will develop analytical skills in solving and constructing macroeconomic models. The advanced topics covered will include topics such as: theories of consumption and savings, overlapping generations models, and optimal fiscal policy.

Preparation for this course:

To be successful in this class, you need to have a **strong background in mathematics** and economic theory (both macro and micro). You should especially be comfortable with topics related to optimization, calculus, and limits, and have good algebraic skills. I will NOT teach these topics in this class but you must have learned them before coming to the class.

Lectures and Tutorials: Recorded and posted online (typically on Mondays).

Virtual Office Hours: Mondays 11am-12pm through Zoom.

Zoom link: <https://utoronto.zoom.us/j/89902952268>

Teaching Assistant: Mahmood Haddara

Office Hours: Mondays 3pm.

Zoom link: <https://utoronto.zoom.us/j/88585616408>

Teaching Assistant Email: m.haddara@mail.utoronto.ca

Tutorials: Recorded and posted online.

Textbook and Reading

I will not follow a textbook. But I will post the following notes on Blackboard.

- Notes by Dirk Krueger on Fiscal Policy (**DK**)
- Kuruscu's notes on optimal taxation.

E-mail list: You are automatically added to the class email list if you are registered for this course. This email list will be the main way I will make announcements and communicate with the class.

Quercus: Please check the Quercus frequently for course materials and announcements.

Course Requirements and Grading

There will be two midterms and a final. All written exams will be invigilated through Zoom. You need to have internet access and a device that has a microphone and a camera. You will receive a link and need to join the meeting during the exam. We will be present, see you, and be able to answer your questions. This is to ensure that the exam is fair to everyone. If you enrol in the course, it means that you agree to be invigilated through zoom.

1. **Two midterms:** Each **30%** of the total grades. However, I will drop your lowest midterm grade and assign the maximum midterm grade as your midterm grades for both midterms. Here is the midterm information:

Date	Check In	Start	End
May 19, 2021	9:45am	10am	12pm
June 2, 2021	9:45am	10am	12pm

The midterms will end at 11:50pm and the last 10 minutes will be used for uploading.

2. **Final: 40%** of the final grade. **Not cumulative** but you should know all the material until then to be able to do well in the final.

Appeal Process: Students should talk to the TA if they have any questions about grading. If they cannot resolve their issue with the teaching assistant, they can appeal to their exam grades to me **only in writing** within one week after the exams are graded. Any appeals after **two weeks** will not be accepted. Appeals have to be made in writing. Students who do not receive their exams due to absence and as a result miss the appeal deadline will not receive any extension to appeal.

Participation: I encourage you to join the virtual office hours and ask any clarifying questions.

Make-up Exams: There are **no** separate make-up exams since I drop the lowest midterm grade. This means that if you miss a midterm for some reason such as being sick, then the other midterm grade will be your make-up grade.

If you miss the first midterm, your second midterm will be 60% of your final grade. If you miss the second midterm, your first midterm will be 60% of your final grade.

If you do very well in the first exam, you can choose to skip the second midterm if you wish to. But I recommend preparing for it and taking it since it will help for your final exam.

Academic Integrity: Academic integrity is an essential part of education. Students should not conduct any scholastic dishonesty that will violate academic integrity. Scholastic dishonesty includes, but is not limited to, cheating, plagiarism, collusion, falsifying academic records,

and any act designed to give unfair academic advantage to the student, or the attempt to commit such an act.

Students with Disabilities: I will provide necessary accommodation to students with disabilities subject to university guidelines.

Schedule:

Lecture 1	(DK Chapter 2) A simple two-period model and intertemporal tradeoffs
Lecture 2	(DK Chapter 3) Life cycle model
Lecture 3	Life cycle consumption-savings with borrowing constraints, investment in firm
Lecture 4	Consumption profile over the lifecycle: theory versus facts
May 19	
Lecture 5	(DK Chapter 4) Dynamic theory of taxation: government budget, Ricardian Equivalence
Lecture 6	(Notes) Optimal fiscal policy with representative agents, first best allocation
Lecture 7	Redistributive tax policies
June 2	
Lecture 8	Equivalence of consumption-labor taxes, differences between US and Europe in tax policies and labor market outcomes
Lecture 9	(DK Chapter 5) Unfunded social security systems
Lecture 10	Review