



Department of Economics and Finance

**ECON*6020
Macroeconomic Theory I
Winter 2014**



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Office Hours: Mondays and Wednesdays, 1:00pm-2:20pm and by appointment

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

https://dev.web.uoguelph.ca/economics_d7/important-notice-about-students-responsibilities-and-university-policies

COURSE OUTLINE

Textbooks:

The required textbook for this course is

Advanced Macroeconomics (4th edition)
David Romer
McGraw-Hill, New York 2012

Another book that will be used in this course is

Monetary Theory and Policy (2nd edition)
Carl E. Walsh
The MIT Press 2003

**The two textbooks are reserved at the department library for your access.
Note that the department library is closed from 12:00PM to 2:00PM.**

Course Objectives:

This course will cover several important topics in Macroeconomics, including economic growth, real business cycle theory, money and monetary policy, and nominal rigidity. We will examine a series of economic models such as the Solow growth model, overlapping generations models, real-business-cycle models, money-in-utility models, and cash-in advance model. Some commonly used analytical tools in Macroeconomics, such as dynamic programming and log linearization will also be introduced. Students are expected to develop a thorough understanding of these topics and to form a thoughtful personal perspective on them.

Course Requirements:

Your final grade will be determined by a weighted average of grades on four assignments, a midterm, and a final exam. The weights will be:

Four Assignments	20%
Midterm Exam (5:00PM to 7:00PM, Feb 13, Thursday)	30%
Final Exam (TBA, during the exam session)	50%

Course Outline:

1. Economic growth

- The Solow Growth Model
- Infinite-Horizon and Overlapping-Generations Models
- Endogenous Growth

Readings:

Advanced Macroeconomics, David Romer, Chapters 1, 2, and 3.

Solow, Robert M., 1956, "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics*, Vol. 70, No. 1, 65-94.

Diamond, Peter A., 1965, "National Debt in a Neoclassical Growth Model", *American Economic Review*, 55, 1126-1150.

Romer, Paul M., 1990, "Endogenous Technological Change", *Journal of Political Economy*, 98, S71-S102.

2. Real-Business-Cycle Theory

Readings:

Advanced Macroeconomics, David Romer, Chapter 5.

Dynamic Economics: Quantitative Methods and Applications, Jerome Adda and Russell Cooper, Chapter 2.

The ABCs of RBCs: An introduction to Dynamic Macroeconomic Models, George McCandless, Chapters 4, 5, 6.

3. Money and Monetary Policy

- Money-in-Utility Models
- Cash-in-Advance Models
- Discretionary Monetary Policy and Time Inconsistency

Readings:

Monetary Theory and Policy, Carl E. Walsh, Chapters 2, 3 and 8

Svensson, L. E. O., 1985, "Money and Asset Prices in a Cash-in-Advance Economy", *Journal of Political Economy*, 93 (5), 919-944.

Cooley, T. F. and G. D. Hansen, 1989, "The Inflation Tax in a Real Business Cycle Model", *American Economic Review*, 79 (4), 733-748.

Cooley, T. F. and G. D. Hansen, 1991, "The Welfare Costs of Moderate Inflation", *Journal of Money, Credit and Banking*, 23 (3), 483-503.

Barro, R.J. and D. B. Gordon, 1983, "A Positive Theory of Monetary Policy in a Neutral-Rate Model," *Journal of Political Economy*, 91 (4), 589-610.

Barro, R.J. and D. B. Gordon, 1983, "Rules, Discretion, and Reputation in a Model of Monetary Policy," *Journal of Monetary Economics*, 12 (1), 101-121.

4. Nominal Rigidity

Readings:

Advanced Macroeconomics, David Romer, Chapter 6

Lucas, Robert E. Jr., 1972, "Expectations and the Neutrality of Money", *Journal of Economic Theory*, 103-124.

Course Evaluation:

You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. **The evaluation for this course will be done in class.** The Department of Economics policy regarding the conduct and use of these evaluations will be found at

<https://www.uoguelph.ca/economics/course-evaluation>