

Advanced Macroeconomics I/A

Spring 2010

Meeting Time: Monday 6:00pm - 8:35pm (02/22/2010-06/14/2010)

Meeting Place: 4205

Course webpage: <http://individual.utoronto.ca/zheli/teach.html>

Instructor: Zhe Li

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Office Hours: Monday 3:00pm-5:00pm or by appointment

TA: Zheyi Tang

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Description of the Course:

This course is the first in a three-course sequence on macroeconomics. As the first course in the sequence, there will be an emphasis on technical as well as substantive issues. On the technical side, the course will deal with the analysis of simple dynamic general equilibrium models in both deterministic and stochastic environments. On the substantive side, these techniques will be applied to studies of issues in growth, business cycles, asset pricing, and the effects of monetary and fiscal policy.

Why do we study Macroeconomics?

Macroeconomics is the study of the economy as a whole. It is therefore concerned with some of the most important questions in economics.

- 1) Why are some countries rich and others poor? Why do countries grow?
- 2) What are the sources of recessions and booms?
- 3) What cause the financial crises? What explain the behavior of asset prices?
- 4) Why is there unemployment? What are the sources of inflation? How do we use monetary and fiscal policies to solve those problems?

Text Books:

Ljungqvist, Lars and Thomas J. Sargent (2004), *Recursive Macroeconomic Theory*, MIT Press (2nd edition).

Romer, David (2006), *Advanced Macroeconomics*, McGraw Hill (3rd edition).

Stokey, Nancy and Robert E. Lucas Jr., with Edward C. Prescott (1989), *Recursive Methods in Economic Dynamics*, Harvard University Press.

Preparing for Class

It's better for you to read the relevant chapter(s) in ahead of the time. During class, I will focus on problem solving. If you read through the chapters ahead of time, this should be great helpful for you understanding the content of lectures.

Evaluation and Assessment:

Students are expected to actively participate in the course.

Participation: 10%

Test 1: 25%

Test 2: 25%

Final exam: 40%

I don't accept any excuse for the missing of exams and quizzes unless you can provide proof of emergency such as serious illness. If you miss the exam or quiz for any reason that does not qualify as a proven emergency, you get zero.

Academic Dishonesty

Academic dishonesty by the student code of conduct includes cheating on the assignments or exams; plagiarizing; altering; forging, or misusing a University academic record; taking, acquiring, or using test materials without faculty permission; and acting alone or in cooperation with another to enhance a grade, etc. A minimum penalty for academic dishonesty is a grade of zero. Other penalties may include a F in course and a complaint to university authorities so that they act consequently with the corresponding university policy.

Course Outline and schedule:

Chapter 1. Solow's growth model (week 1, Feb 22nd)

Chapter 2. Dynamic optimization (week 2, 3)

Chapter 3. Steady states and dynamics under optimal growth (week 4, 5)

Test 1 (week 6, March 29th)

Chapter 4. Competitive equilibrium in dynamic models (week 7, 8)

Chapter 5. Uncertainty (week 9)

Chapter 6. Overlapping-generations model (week 10)

Test 2 (week 11, May 3rd)

Chapter 7. Growth (week 12, 13)

Chapter 8. Business Cycles (week 14)

Chapter 9. Asset Pricing (week 15, 16)

Chapter 10. Economic policy (week 17)

Final exam