Macroeconomics I

Economics
Winter 2017

WEBSITE:

INSTRUCTOR: Jacob Short
Office: Room 4033, SSC Phone: 661 2111 x.85302

UNDERGRADUATE ENQUIRIES: 661 3507

CONTACTING THE INSTRUCTOR AND OFFICE HOURS

The instructor can be reached by email at jacob.short@uwo.ca or in his office (4033 SSC) during office hours. **Office hours will be held on Monday, 2:00-4:00pm** or by appointment. Students are encouraged to attend office hours throughout the term to discuss course related issues.

LECTURES
Lectures will be held:
Section 001: Monday 4:30-7:30pm in room SSC 5220

COURSE DESCRIPTION
This course is a theoretical, empirical, and policy-oriented treatment of the determination of output, employment, interest rates, and the rate of inflation. The course builds on the stochastic neoclassical growth model, and introduces dynamic optimization tools required to characterize solutions. The growth model is used as an organizing framework to examine the empirical properties of long term economic growth and business cycles. Another core topic is an introduction to monetary economics, with a discussion of money-in-the utility function and cash-in-advance models. This is used to provide an introduction to the role of nominal rigidities in business cycles. The course also provides an introduction to asset pricing and the equity premium puzzle.

The recommended text is **Davis, Morris (2009).** ***Macroeconomic for MBAs and Master of Finance*****, Cambridge University Press.** The textbook is available at the bookstore.

LEARNING OUTCOMES

Students will become very familiar and comfortable with the main work-horse models in modern Macroeconomics; and, will be able to describe the main macroeconomic theories of short term fluctuations in output, productivity, interest rates and unemployment, as well as, long term growth in the economy.

Students will acquire basic numerical tools and be able to numerically solve the stochastic growth model (and similar models) through computation. As well as, compute model generated predictions for movements in output, productivity, interest rates and employment.

Students will be able to apply the main macroeconomic theories in analysis of the determinants of business cycles and the implications for government intervention, both monetary and fiscal policy.

Students will be able to critically evaluate the consequences of basic macroeconomic policy options under differing economic conditions within a business cycle.

COURSE PREREQUISITES AND ANTIREQUISITES

The student is responsible for ensuring that all course prerequisites have been completed successfully, and that no antirequisite courses have been taken. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure spaces become available for students who require the course in question for graduation.

REGISTRATION

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at **https://studentservices.uwo.ca/secure/index.cfm**.If you notice a problem, please contact your faculty academic counsellor right away.

TEXTBOOK

We will be working with the following textbook, as well as various academic papers (links to the papers will be provided via the course website):

Davis, Morris (2009). *Macroeconomic for MBAs and Master of Finance*, Cambridge University Press.

COURSE REQUIREMENTS AND STUDENT EVALUATION

Student evaluation will be based on the results obtained in an empirical project, student presentation, paper summaries, quizzes in class and participation. The weight given to each assignment is the following:

	Weight
Group Project	**20%**
Problem Sets	**25%**
Exams	**40%**
Participation	**15%**

Students will complete a group project using basic econometric tools and publicly available data. Details of the project will be discussed in class.

There will be a number of problem sets throughout the semester. These problem sets will cover the material in class and help students prepare for the examinations.

There will be three exams during the course. Details of the exam coverage will be discussed in class. The tentative dates will be:

1. February 12th, 2018
2. March 12th, 2018
3. April 9th, 2018

You are responsible for all content covered in lectures and in the assigned readings. Some readings content may not be covered in lectures and some lecture content may not be in the readings. If a student has a conflict with an exam, they must notify the instructor a minimum of 3 days in advance of the exam in order to take any make-up exam. In case of lack of justification for the absence a grade of zero will be attributed.

COURSE OUTLINE

Part 1. Growth Model

- I. National Income Product Accounts (NIPA) and stylized growth facts.
- II. deterministic growth model
  - i. characterization and analytical solution of the balanced growth path.
- III. stochastic growth model
  - i. characterization and numerical solution of the balance growth path.

Part 2. Real Business Cycle

- I. RBC model
  - i. linearization around the balance growth path and numerical solution
  - ii. simulation, model predictions and business cycle facts
- II. New Keynesian Sticky Price Model
  - i. characterization, linearization and numerical solution
  - ii. simulation, model predictions and monetary policy

Part 3. Asset Pricing

- I. CCAPM
  - i. asset pricing and the Euler equation
  - ii. equity premium puzzle
- II. Firm investment and Tobin's Q