



Department of Economics Course Outline

Course:	Economics 659 [Macroeconomic Theory]	Term:	Fall 2009
Time:	MW 12:00 – 13:15	Section:	01
Instructor:	A. Serletis	Place:	SS 423 (subject to change)
Office:	SS 408	Telephone:	220-4092
Office Hours:	MW 11:00 – 12:00	E-mail:	serletis@ucalgary.ca

Textbook(s): None

Book(s) on Reserve:

Barro, R.J., *Modern Business Cycle Theory*. Harvard University Press, 1989.
Barro, R.J. and X. Sala-i-Martin, *Economic Growth*, 2nd Edition. MIT Press, 2004.
Barro, R.J. and A. Serletis, *Macroeconomics; A Modern Approach*. Nelson, 2010.
Blanchard, O.J. and S. Fischer, *Lectures in Macroeconomics*. MIT Press, 1989.
Ljungqvist, L. and T.J. Sargent, *Resursive Macroeconomic Theory*. The MIT Press, 2004.
Romer, D., *Advanced Macroeconomics*. McGraw-Hill, 2006.
Serletis, A., *The Demand for Money: Theoretical and Empirical Approaches*. Springer, 2007.

Course Outline:

This course surveys the ideas, controversies, and techniques that constitute modern macroeconomics. The principal issues it covers lie at the heart of such important social problems as unemployment, inflation, deficits and debts, and economic growth. Moreover, the empirical study of many issues raised in theoretical and political debates is emphasized. See the reading list for topics and readings.

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Grade Determination and Final Examination Details:

There will be four assignments, two midterm exams, and a final examination. The weights of these in the course grade are as follows:

Assignment 1	Due October 5	5%
Assignment 2	Due October 21	5%
Assignment 3	Due November 9	5%
Assignment 4	Due December 2	5 %
Midterm 1	October 7	20%
Midterm 2	November 16	20%
Final Examination		40%

The two-hour final examination will be scheduled by the Department of Economics and held in the classroom during the final examination period. For the assignments you are encouraged to work together, but each person must turn in their own assignment. Late work will not be accepted and there will be no make-up or deferred exams.

Tests and final exams are marked on a numerical (percentage) basis, and then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	96 – 100	B	76 – 80	C-	59 – 62
A	89 – 95	B-	72 – 75	D+	55 – 58
A-	85 – 88	C+	68 – 71	D	50 – 54
B+	81 - 84	C	63 - 67	F	0 - 49

Part marks of 0.5 or above will be rounded up; those below 0.5 will be rounded down.

Non-programmable calculators will be allowed during the writing of tests or final examinations.

Tests and exams will not involve multiple choice questions.

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Notes:

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within 15 days* of the work being returned to the class.
- Make-up examinations and deferred examinations will not be given except in cases of extreme personal emergencies. Also, examinations will not be given before the indicated examination dates.
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Safewalk / Campus Security: 220-5333

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UNIVERSITY OF CALGARY

Department of Economics

Economics 659 (01) Macroeconomic Theory

Apostolos Serletis

Fall, 2009

Topics & Readings

1 Classical and Keynesian Macroeconomic Theory

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapters 1, 2, 7, Chapter 8 section 8.1, and Chapter 9 section 9.1.

2 Rational Expectations

a. *Stochastic Difference Equations*

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 3.

b. *The Lucas Critique*

Robert E. Lucas, Jr, "Econometric Policy Evaluation: A Critique." In Karl Brunner and Allan H. Meltzer (eds.) *The Phillips Curve and Labor Markets*, Amsterdam: North-Holland (1976).

c. *Time Consistency*

Nancy Stokey, "Reputation and Time Consistency." *American Economic Review, Papers and Proceedings* 79 (1989), 134-139.

Olivier Jean Blanchard and Stanley Fischer (1989), *Lectures in Macroeconomics*, Chapter 11, p. 592-614.

Finn Kydland and Edward C. Prescott, "Rules Rather than Discretion: The Inconsistency of Optimal Plans." *Journal of Political Economy* 85 (1977), 473-491.

3 Descriptive Growth Theory

a. *The Solow Growth Model*

Robert M. Solow, "A Contribution to the Theory of Growth." *Quarterly Journal of Economics* (1956), 65-94.

David Romer, *Advanced Macroeconomics* (3rd edition), McGraw-Hill (2006), Chapter 1.

Robert J. Barro and Xavier Sala-i-Martin, *Economic Growth* (2nd edition), The MIT Press (2004), Chapter 1.

b. *Convergence*

Robert J. Barro and Xavier Sala-i-Martin, "Convergence." *Journal of Political Economy*, 100 (1992), 223-251.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010), Chapters 4 and 5.

c. *The Empirics of Growth*

N. Gregory Mankiw, David Romer, and David N. Weil, "A Contribution to the Empirics of Economic Growth." *Quarterly Journal of Economics* (1992), 407-437.

4 Dynamic Equilibrium Growth Models

a. *The Optimal Growth Model*

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 4, section 4.2.

b. *The Overlapping Generations Model*

Olivier Jean Blanchard and Stanley Fischer (1989) *Lectures in Macroeconomics*, Chapter 3, Parts 1 and 2.

David Romer, *Advanced Macroeconomics* (3rd edition), McGraw-Hill (2001), Chapter 2, Part B.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 4, section 4.3.

5 Growth Models with Money

a. *Descriptive Growth Theory with Money*

James Tobin, "Money and Economic Growth." *Econometrica* 33 (1965), 671-84.

Levhari, D., and D. Patinkin, "The Role of Money in a Simple Growth Model." *American Economic Review* (1968): 713-53.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 5, section 5.1.

b. *The Optimal Growth Model with Money*

Miguel Sidrauski, "Rational Choice and Patterns of Growth in a Monetary Economy." *American Economic Review* 57 (1967), 534-44.

Olivier Jean Blanchard and Stanley Fischer (1989) *Lectures in Macroeconomics*, Chapter 4 Part 5.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 5, sections 5.2 and 5.3.

c. *The Overlapping Generations Model with Money*

Olivier Jean Blanchard and Stanley Fischer (1989) *Lectures in Macroeconomics*, Chapter 4 Part 1.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches* (2nd edition), Springer (2007). Chapter 9, section 9.2.

d. *Empirical Evidence on the Neutrality and Superneutrality of Money*

Robert E. Lucas Jr., "Monetary Neutrality." *Journal of Political Economy* 104 (1996), 661-682.

Mark Fisher and John Seater, "Long-Run Neutrality and Superneutrality in an ARIMA Framework." *American Economic Review* 83 (1993), 402-415.

Robert King and Mark Watson, "Testing Long-Run Neutrality." Federal Reserve Bank of Richmond *Economic Quarterly* 83 (1997), 69-101.

Apostolos Serletis and Zisimos Koustas, "International Evidence on the Neutrality of Money." *Journal of Money, Credit and Banking* 30 (1998), 1-25.

Zisimos Koustas and Apostolos Serletis, "On the Fisher Effect." *Journal of Monetary Economics* 44 (1999), 105-130.

e. *The Welfare Cost of Inflation*

Robert E. Lucas Jr., "Inflation and Welfare." *Econometrica* 68 (2000), 247-274.

Apostolos Serletis and Kazem Yavari. "The Welfare Cost of Inflation in Canada and the United States." *Economics Letters* 84 (2004), 199-204.

6 The Fiscal Theory of the Price Level

Christopher A. Sims, "A Simple Model for Study of the Determination of the Price Level and the Interaction of Monetary and Fiscal Policy." *Economic Theory* 4 (1994), 381-399.

Woodford, Michael. "Price Level Determinacy Without Control of a Monetary Aggregate." *Carnegie-Rochester Conference Series on Public Policy* 43 (1995), 1-46.

Matthew B. Canzoneri, Robert F. Cumby, and Behzad T. Diba. "Is the Price Level Determined by the Needs of Fiscal Solvency?" *American Economic Review* 91 (2001), 1221-1238.

McCallum, Bennett T. "Indeterminacy, Bubbles, and the Fiscal Theory of Price level Determination." *Journal of Monetary Economics* 47 (2001), 19-30.

7 Endogenous Growth Theory

Robert E. Lucas Jr., "On the Mechanics of Economic Development." *Journal of Monetary Economics* 22 (1988), 3-42.

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

Barro Robert J. and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 5.

8 Asset Pricing

a. *The Capital Asset Pricing Model*

Thomas E. Copeland, J. Fred Weston, and Kuldeep Shastri, *Financial Theory and Corporate Policy* (4th edition), Addison-Wesley (2005). Chapters 5 and 6.

b. *The Permanent Income and Random Walk Hypotheses*

- Robert E. Hall, "Stochastic Implications of the Life Cycle Permanent Income Hypothesis: Theory and Evidence." *Journal of Political Economy* 86 (1978), 971-987.
David Romer, *Advanced Macroeconomics* (3rd edition), McGraw-Hill (2006), Chapter 7.

c. *Consumption and Risky Assets*

- Rajnish Mehra and Edward C. Prescott, "The Equity Premium: A Puzzle." *Journal of Monetary Economics* 15 (1985), 145-162.
David Romer, *Advanced Macroeconomics* (3rd edition), McGraw-Hill (2006), Chapter 7, section 7.5.
Narayana R. Kocherlakota, "The Equity Premium: It's Still a Puzzle." *Journal of Economic Literature* 34 (1996), 41-71.
Lars Ljungqvist and Thomas J. Sargent, *Recursive Macroeconomic Theory*, MIT Press (2004), Chapter 13.

9 Dynamic Equilibrium Business-Cycle Theory

a. *Real Business Cycle Models*

David Romer, *Advanced Macroeconomics* (3rd edition), McGraw-Hill (2006), Chapter 4.
Benett T. McCallum, "Real Business Cycle Models". In Robert J. Barro (ed.) *Modern Business Cycle Theory*, Oxford: Basil Blackwell, 1989.
Barro Robert J. and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapters 6-11.

b. *Transitory versus Permanent Shocks*

Charles R. Nelson and Charles I. Plosser, "Trends and Random Walks in Macroeconomic Time Series." *Journal of Monetary Economics* 10 (1982), 139-162.
Pierre Perron, "The Great Crash, the Oil Price Shock, and the Unit Root Hypothesis." *Econometrica* 57 (1989), 1361-1401.
Apostolos Serletis, "The Random Walk in Canadian Output." *Canadian Journal of Economics* 25 (1992), 392-406.

c. *Random Walks versus Nonlinear Chaotic Dynamics*

Apostolos Serletis, "Random Walks, Breaking Trend Functions, and the Chaotic Structure of the Velocity of Money." *Journal of Business and Economic Statistics* 13 (1995), 453-458.

10 The Neoclassical Approach to Fiscal Policy

a. *Government Purchases*

Robert J. Barro, "On the Output Effects of Government Purchases." *Journal of Political Economy* (1981), 1086-1121.
Apostolos Serletis and Asghar Shahmoradi, "Consumption Effects of Government Purchases." *Journal of Macroeconomics* (forthcoming, 2010).

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 12.

b. *Ricardian Equivalence*

Robert J. Barro, "The Ricardian Approach to Budget Deficits." *Journal of Economic Perspectives* (1989), 37-54.

John J. Seater, "Ricardian Equivalence." *Journal of Economic Literature* (1993), 142-190.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 14.

c. *Optimal Taxation*

Robert J. Barro, "On the Determination of the Public Debt." *Journal of Political Economy* (1979): 940-971.

Gregory Mankiw, "The Optimal Collection of Seignorage: Theory and Evidence." *Journal of Monetary Economics* 12 (1987), 55-93.

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