

Economics 5012
Macroeconomic Theory
Fall 2018
L-1072 (Library)
Tuesday, Thursday: 3:05-4:20

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Course Description:

This course will introduce students to modern macroeconomic theory. The course begins with the long-run course of an economy by presenting two models of economic growth that follow the progression of economic thinking on the growth problem: the Solow model, and the endogenous growth model. Despite the differences in the development of these models, their policy prescriptions and empirical performance are similar. The real business cycle model is the principle model we will develop to explain the short-run movements in the economy, however its serious shortcoming is that it has no role for monetary policy. Hence we develop rational expectations models to further explore the role of money in the economy. Consumer and firm behavior in the aggregate is covered by discussing standard models of utility-maximizing consumers (consumption) and profit-maximizing firms (investment). Of course the purpose of developing models of economies is to evaluate fiscal and monetary policies and this is done to round out the course. Here the concepts of Ricardian equivalence and time-consistency are key results.

Students are expected to have a good understanding of the basic rules of calculus (differentiation) and elementary statistical analysis (multiple regression methods). Where new techniques are required, the instructor will provide the necessary instruction and point to references if needed. Some end of chapter questions will be reviewed in class to reinforce the material. Take good lecture notes and use them. Some of the overly technical sections of the textbook will not be covered.

Course Textbook:

David Romer, Advanced Macroeconomics 4th Ed., McGraw-Hill Irwin, 2012. ISBN: 978-0-07-351137-5

Course Grading:

Assignments (3):	40%
Exams (3):	60%

Assignments will be due on pre-determined dates that will be announced in class and by email. They are to be neatly written or typed and turned in on time. If you are stuck in an assignment, come see me – I give hints. Students are encouraged to work in study groups to complete the assignments, however each student must turn in an assignment written in their own words – not a copy of another assignment. Exams will be written in the lecture time on pre-determined dates. The exams are closed book. The last exam will be in the last day of class for the semester (Dec. 6).

Course Sequence:

Section I (Long-run growth):	Chapters 1, 3 (p. 101-116)
Section II (Short-run business cycles):	Chapters 5 (skip p. 201-211), 6 (skip p. 244-52, 268-285)
Section III (Consumers and firms):	Chapters 8 (p. 365-385), 9 (p. 405-431)
Section IV (Policy):	Chapters 11 (skip p. 529-536, p. 564-567), 12 (p. 584-604)

None of the exams are cumulative, that is, they only cover the material from the relevant section.