

Advanced Macroeconomics I
ECONOMICS EC3320
Department of Economics
Western University

September 2019

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Office Hours: T/TH 2:30-3:30
Classroom meeting time(s) & location: T 9:30-11:30, TH 9:30-10:30, SSC 3028
Course website: <https://owl.uwo.ca/portal>
Undergraduate Inquiries: 519-661-3507 or SSC room 4075 or econugrd@uwo.ca

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 any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note: The prerequisite(s) for this course is (are) Economics 2221A/B and Economics 2261A/B

Prerequisite(s) for your course can be found in the Western Calendar at:
<http://westerncalendar.uwo.ca/Courses.cfm?Subject=ECONOMIC&SelectedCalendar=Live&ArchiveID>

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. 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 that spaces become available for students who require the course in question for graduation.

Course Description/Overview: In this course we will develop the Neoclassical Growth Model and then use it as a tool for economic analysis. We will compare the implications of this model to data. We will discuss the successes and limitations of this model in explaining cross-country income differences. We will extend the model to incorporate business cycle fluctuations to see how well the model can account for short-run movements of the economy.

Course Learning Outcomes:

1. Students will understand how the desire to consumption smooth is linked to parameters in CES preferences, and what the implications are as the desire to consumption smooth changes.
2. Students will be able to set up the firm's and the household's problem within the Neoclassical Growth Model, and then derive and interpret the corresponding Euler equation.
3. Students will define and characterize a competitive equilibrium, and link the resulting allocation with that of the benevolent social planner using the welfare theorems.
4. Students will understand what it means to calibrate the Neoclassical Growth Model.
5. Students will be able to perform comparative statics exercises on the balanced growth path allocation in the Neoclassical Growth Model, and understand the transitional dynamics of the economy in the Neoclassical Growth Model as it converges to a balanced growth path.
6. Students will be able to use the Neoclassical Growth Model for growth accounting, and will be able to evaluate the model based on balanced growth path predictions.
7. Students will be able to extend the Neoclassical growth model to analyze short-run movements of the economy.

Textbook/Resources: There is no required text for this course. You are responsible for all content covered in lecture and any material posted on OWL. Note that I do not supply class notes.

Grading: Your final grade will be based on one midterm (35%), Homework (15%), and a Final exam (50%)

Exams: The midterm will be held in class on October 15. The final exam date and time is TBA. The exams will be closed book and closed note, and electronics free. The final exam will be cumulative with an emphasis on more recent material. There will be no make-up midterm exam. If a student misses it due to sickness or other acceptable excuse, the weight of the exam will be added to the final exam. In cases of lack of justification for the absence, a grade of zero will be attributed to the midterm.

Homework: There will be four homework assignments, due September 26, October 10, November 14, and December 5. The homework assignments must be submitted by the START of the class period in which they are due. Assignments turned in once class has started will not be accepted. Assignments will not be accepted by email. The lowest score will be dropped.

Bonus Quizzes: At the start of class every Tuesday, there will be a short, one question quiz based on the lecture from the last class. There will be 10 in total, beginning on September 17, with no quiz on October 15. If you complete 8 or more correctly, you will be given a bonus two points on your final grade. If you complete 4 or more correctly, you will be given one bonus point on your final grade. There are no makeup quizzes.

Class Conduct:

- Please turn off and put away all electronic devices during class. You will get much more out of this course if your attention is on the lecture, and students who are multitasking are a distraction to me.
- Please, no pictures during class.
- Attendance does not directly play a role in your grade. However, students who do poorly in this course are almost always students who have weak attendance records. If you miss class, get notes from a classmate. Do not come to office hours for a repeat lecture, or help with material you missed in class.
- The syllabus and your class notes are full of information. Please consult these for answers to frequently asked questions.

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Topics Covered and Readings:

Introduction to the Class

Basic Model

- Households
- Firms
- Aggregate Resource Constraint
- Competitive Equilibrium
- Characterization of Equilibrium

Social Planner

- The Social Planner's Problem
- Characterization of the Social Planner's Problem
- The Welfare Theorems
- Steady State Analysis
- Dynamic Analysis

Neoclassical Growth Model

- Social Planner's Problem
- Balanced Growth Path
- Calibration
- Comparative Statics
- Transitional Dynamics
- Convergence

Evaluating the Neoclassical Growth Model:

- Growth facts
- Growth Accounting
- The Productivity Slowdown

The Real Business Cycle Model

- Households
- Firms
- Equilibrium
- Calibration
- Evaluating the model

Copyright:

Lectures and course materials, including power point presentations, outlines, and similar materials, are protected by copyright. Students may take notes and make copies of course materials for their own educational purposes. Students may not record lectures, reproduce (or allow others to reproduce), post or distribute lecture notes, wiki material, and other course materials publicly and/or for commercial purposes without written consent.

Please Note
Department Policies for 2019-2020

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at:
<http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations”
http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as a notation on an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:
http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14

Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:
http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals.

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.
8. Note the following add and drop deadlines:

Deadline to <u>add</u> a first term half course:	Friday September 13, 2019
Deadline to <u>drop</u> a first term half course:	Tuesday November 12, 2019
9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy on Tests, Final Exams and on Missed Academic Responsibilities

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or retroactive reweighting of marks, is **not** permitted. Students must book travel arrangements AFTER final exam dates have been posted; travel is not an acceptable excuse for absence from a final exam.

Students who are temporarily unable to meet academic requirements due to extenuating circumstances can follow Western University procedures to request academic consideration through the following routes:

- a) Submit a Self-Reported Absence form if the conditions for submission are met (e.g., only for exams or assessments worth 30% or less of the course mark; not applicable to final exams; maximum 2 self-reported absences per academic year; see [link](#) for full list of conditions and info).

If the conditions for submission of a Self-Reported Absence form are not met, then:

- b) For medical absences, submit a Student Medical Certificate (SMC) signed by a licensed medical or mental health practitioner along with a request for academic consideration to Academic Counselling in the student's home Faculty (see [link](#) for full info) ; or
- c) For non-medical absences (e.g., religious or compassionate), submit appropriate documentation to Academic Counselling in the student's home Faculty (see [link](#) for full info).

It is strongly recommended that students notify their instructors as soon as possible. University policy is that students **must** communicate with their instructors no later than **24 hours** after the end of the period covered by either the self-reported absence or SMC, or immediately upon their return following a documented absence. Failure to follow University policy and procedures may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment to meet with their instructor as soon as possible. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca.

Note: Academic consideration is not normally intended for long-term, recurring absences, an existing disability, or high levels of stress related to academic performance. In such cases, students should consult their academic counsellor. See [link](#) for full information. In all cases, if the documentation submitted to request academic consideration is not acceptable, students will receive a grade of zero for the missed test, exam, or assignment.

For full information about Western University's policies and procedures for student absences and requests for academic consideration, please visit this [link](#).

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit http://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.