



Department of Economics Course Outline

		Term:	Winter 2011
Course:	Economics 759 [Macroeconomic Theory]	Section:	01
Time:	MW 13:00 – 14:15	Place:	SS 423 (subject to change)
Instructor:	A. Serletis		
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:

- Acemoglu, D. *Introduction to Modern Economic Growth*. Princeton 2009.
- Anderson, T.G., R.A. Davis, J.P. Kreiss, and T. Mikosch (Eds.). *Handbook of Financial Time Series*. Springer 2009.
- Barnett, W.A. and A. Serletis (Eds.). *The Theory of Monetary Aggregation*. Elsevier 2000.
- Barro, R.J. (Ed.). *Modern Business Cycle Theory*. Harvard University Press 1989.
- Barro, R.J. and A. Serletis. *Macroeconomics: A Modern Approach*. Nelson 2010.
- Blanchard, O.J. and S. Fischer. *Lectures in Macroeconomics*. MIT Press 1989.
- Copeland, T.E., J.F. Weston, and K. Shastri. *Financial Theory and Corporate Policy*, 4th edition. Addison Wesley 2005.
- Friedman, B.M. and F.H. Hahn (Eds.). *Handbook of Monetary Economics*, Vols. 1 & 2. Elsevier 1990.
- Ljungqvist, L. and T.J. Sargent. *Resursive Macroeconomic Theory*. The MIT Press, 2004.
- McCandless, G. *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*. Harvard University Press 2008.
- Mehra, R. *Handbook of the Equity Risk Premium*. Elsevier 2007.
- Mishkin, F. and A. Serletis. *The Economics of Money, Banking and Financial Markets*, 4th Canadian edition. Addison-Wesley 2011.
- Romer, D. *Advanced Macroeconomics*. McGraw-Hill 2006.
- Serletis, A. *The Demand for Money: Theoretical and Empirical Approaches*, 2nd edition. Springer 2007.
- Taylor, J.B. and M. Woodford (Eds.). *Handbook of Macroeconomics*, Vol. 1A, 1B and 1C, Elsevier 1999.
- Tsay, R.S. *Analysis of Financial Time Series*, 3rd edition. Wiley 2010. .../2

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 economic growth, inflation, and deficits and debts. Moreover, the empirical study of many issues raised in theoretical and political debates is emphasized.

See the reading list for topics and readings.

Grade Determination and Final Examination Details:

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

Midterm 1	February 28	25%
Midterm 2	March 30	25%
Final Examination		50%

The two-hour final examination will be scheduled by the Department of Economics and held in the classroom during the final examination period.

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
Emergency Assembly Location – Professional Faculties Food Court
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AS/mi
2010-12-15

UNIVERSITY OF CALGARY

Department of Economics

Economics 759 (01) Macroeconomic Theory

Apostolos Serletis

Winter, 2011

Topics & Readings

1 Macroeconomics after the Crisis

Narayana Kocherlakota, “Modern Macroeconomic Models as Tools for Economic Policy.” *The Region* (2010), 5-21.

Ricardo J. Caballero, “Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome.” *Journal of Economic Perspectives* 24 (2010), 85-102.

Apostolos Serletis, “Macroeconomics as a Science.” In William A. Barnett, *Getting it Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy*. The MIT Press (forthcoming, 2011).

2 Neoclassical Growth Theory

Robert M. Solow, “Neoclassical Growth Theory.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1A. Elsevier (1999), Chapter 9.

Daron Acemoglu, *Introduction to Modern Economic Growth*. Princeton (2009), Chapters 8 and 9.

3 Endogenous Growth Theory

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

Paul M. Romer, “Capital Accumulation in the Theory of Long-Run Growth.” In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

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

4 Productivity Measurement

Robert M. Solow, “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* 70 (1957), 65-94.

Dale W. Jorgenson and Zvi Griliches, “The Explanation of Productivity Change.” *Review of Economic Studies* 34 (1967), 249–283.

Guohua Feng and Apostolos Serletis, “Productivity Trends in U.S. Manufacturing: Evidence from the NQ and AIM Cost Functions.” *Journal of Econometrics* 142 (2008), 281-311.

Guohua Feng and Apostolos Serletis, “A Primal Divisia Technical Change Index Based on the Output Distance Function.” *Journal of Econometrics* 159 (2010), 320-330.

5 Theories of Economic Fluctuations

a. *The Real Business-Cycle Model*

Robert G. King and Sergio Rebelo, “Resuscitating Real Business Cycles.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1B. Elsevier (1999), Chapter 14.

Bennett T. McCallum, “Real Business Cycle Models.” In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

George McCandless, *The ABCs of RBCs: An Introduction to Dynamic Macroeconomic Models*. Harvard University Press (2008), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010), Chapters 6-9.

b. *The Price-Misperceptions Model*

David Romer, *Advanced Macroeconomics* (3rd edition). McGraw-Hill (2006), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 15.

c. *The New Keynesian Model*

David Romer, *Advanced Macroeconomics* (3rd edition). McGraw-Hill (2006), Chapter 6.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010). Chapter 16.

d. *Chaotic Deterministic Fluctuations*

William A. Barnett, Alfredo Medio, and Apostolos Serletis, “Nonlinear and Complex Dynamics in Economics.” EconWPA Paper 9709001.

William A. Barnett and Apostolos Serletis, “Martingales, Nonlinearity and Chaos.” *Journal of Economic Dynamics and Control* 24 (2000), 703-724.

Serletis, Apostolos and Mototsugu Shintani, “Chaotic Monetary Dynamics with Confidence.” *Journal of Macroeconomics* 28 (2006), 228-252.

6 Monetary Policy

a. *Neoclassical Monetary Growth Theory*

Bennett T. McCallum, “Inflation: Theory and Evidence.” In B.M. Friedman and F.H. Hahn (Eds.), *Handbook of Monetary Economics* Vol. 2. North-Holland (1990), Chapter 18.

b. *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.

c. *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.

Michael Woodford, “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.

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

d. *The Welfare Cost of Inflation*

Martin Bailey, “The Welfare Cost of Inflationary Finance.” *Journal of Political Economy* 64 (1956), 93-110.

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

Peter Ireland, “On the Welfare Cost of Inflation and the Recent Behavior of Money Demand.” *American Economic Review* 99 (2009), 1040-1052.

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

e. *Money Measurement Matters*

William A. Barnett and Apostolos Serletis (Eds.), *The Theory of Monetary Aggregation*. Elsevier (2000), Chapters 1, 9, and 18.

Apostolos Serletis, *The Demand for Money: Theoretical and Empirical Approaches*. Springer (2007), Chapters 15-17, 19-20, and 22-24.

William A. Barnett and Apostolos Serletis, “Consumer Preferences and Demand Systems.” *Journal of Econometrics* 147 (2008), 210-224.

7 Fiscal Policy

Robert J. Barro, “The Neoclassical Approach to Fiscal Policy”. In Robert J. Barro (Ed.), *Modern Business Cycle Theory*. Harvard University Press, 1989.

Robert J. Barro and Apostolos Serletis, *Macroeconomics: A Modern Approach*. Nelson (2010), Chapters 12, 13, and 14.

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.

c. *Consumption and Risky Assets*

Rajnish Mehra and Edward C. Prescott, “The Equity Premium: A Puzzle.” *Journal of Monetary Economics* 15 (1985), 145-162.

Rajnish Mehra and Edward C. Prescott, “The Equity Premium: ABCs.” In Rajnish Mehra (Ed.), *Handbook of the Equity Risk Premium*. North-Holland (2008), Chapter 1.

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*. The MIT Press (2004), Chapter 13.

John Y. Campbell, “Asset Prices, Consumption, and the Business Cycle.” In John B. Taylor and Michael Woodford (Eds.), *Handbook of Macroeconomics*, Vol. 1C. Elsevier (1999), Chapter 19.

9 Volatility Modeling

a. Univariate Volatility

Ruey S. Tsay, *Analysis of Financial Time Series* (3rd edition). Wiley (2010), Chapter 3.

b. Multivariate Volatility

Luc Bauwens, Sébastien Laurent, and Jeroen V.K. Rombouts, “Multivariate GARCH Models: A Survey.” *Journal of Applied Econometrics* 21 (2006), 79-109.

Annastiina Silvennoinen and Timo Teräsvirta, “Multivariate GARCH Models.” In T.G. Andersen, R.A. Davis, J.-P. Kreiss, and T. Mikosch (Eds.), *Handbook of Financial Time Series*. Springer (2009).

Ruey S. Tsay, *Analysis of Financial Time Series* (3rd edition). Wiley (2010), Chapter 10.

c. Applications

John Elder and Apostolos Serletis. “Oil Price Uncertainty.” *Journal of Money, Credit and Banking* 42 (2010), 1137-1159.

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