

**York University**  
**Department of Economics**  
**GS/ECON 5011 A: Applied Macroeconomics**  
**Fall 2017**

**Instructor:** Professor Wai-Ming Ho

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Office Hours: Monday 9:30am-11:00am and Thursday 1:00pm-2:30pm

**Lecture Schedule:** Tuesday and Thursday, 10:00am - 11:30am, at ACW 205

**Course Objective:**

This course studies issues of long-run economic growth and short-run business fluctuations, and emphasizes the application of modern macroeconomic models to explain current economic policies.

**Required Course Text / Readings:**

- Romer, D., (2012) *Advanced Macroeconomics*, 4th ed., McGraw-Hill. (HB 172.5 R66 2012)

**References:**

- Jones, C.I. and Vollrath, D., (2013) *Introduction to Economic Growth*, 3rd ed., Norton. (HD 75 J66 2013)
- Sargent, T.J., (1987) *Dynamic Macroeconomic Theory*, Harvard University Press. (HB 172.5 S267 1987)

**Course Web Site:** <https://moodle.yorku.ca/>

Check the web site regularly for course announcements, notes, and exercises.

**Course Outline:**

**I. Introduction**

Chari V.V. and P. Kehoe, (2006) "[Modern Macroeconomics in Practice: How Theory is Shaping Policy](#)," *Journal of Economic Perspectives*, vol. 20 (4), p.3-28.

**II. Economic Growth**

1. Introduction: The Facts of Economic Growth and the Solow Growth Model

Jones and Vollrath, Chapters 1 to 3.

Romer, Chapter 1.

2. The Neoclassical Growth Models

The Ramsey-Cass-Koopmans Model

Romer, Chapter 2, Part A.

Sargent, Chapter 1.

The Diamond Model

Romer, Chapter 2, Part B

3. Endogenous Growth

Jones and Vollrath, Chapters 4 and 5.

Romer, Chapters 3 and 4.

**III. Short-term Business Fluctuations**

1. Real Business Cycle Analysis

Romer, Chapter 5.

Prescott, E.C., (1986) "[Theory Ahead of Business Cycle Measurement](#)," *Federal Reserve Bank of Minneapolis Quarterly Review*, Fall, p.9-22.

Prescott, E.C., (2006) "[Nobel Lecture: The Transformation of Macroeconomic Policy and Research](#)," *Journal of Political Economy*, vol. 114, no.2, p.203-235.

Prescott, E.C., (2016) "[RBC Methodology and the Development of Aggregate Economic Theory](#)," NBER Working Paper No. 22422

## 2. Consumption and Asset Pricing

Romer, Chapter 8.

Mehra, R. and E.C. Prescott, (1985) "[The Equity Premium: A Puzzle](#)," *Journal of Monetary Economics*, vol.15, no.2, p.145-161.

## IV. Monetary Policy

### 1. The Lucas Imperfect-Information Model

Romer, Chapter 6.9-6.10.

Lucas, R.E. Jr., (1973) "[Some International Evidence on Output-Inflation Tradeoffs](#)," *The American Economic Review*, vol. 63, no. p. 326-334.

### 2. The Dynamic Inconsistency of Low-Inflation Monetary Policy

Romer, Chapter 11.7-11.8.

Kydland, F.E. and E.C. Prescott, (1977) "[Rules Rather than Discretion: The Inconsistency of Optimal Plans](#)" *Journal of Political Economy*, vol. 85, no. 3, p. 473-492

## V. Fiscal Policy

Romer, Chapter 12.1-12.4.

Sargent, T.J., (2012) "[Nobel Lecture: United States Then, Europe Now](#)," *Journal of Political Economy*, vol. 120, no. 1, pp. 1-40.

## Evaluation:

Mid-term Exam: 30%, held during class time, **Tuesday, October 24th, 2017.**

Final Exam: 70 %, held during the final exam period.

Let  $M$  = your mark from the mid-term exam and  $F$  = your mark from the final exam.

Your grade will be determined by the following formula: **Total mark = Max ( 0.3 M + 0.7 F, F ).**

- *There will be no make-up midterm exam. Students absent from the midterm exam will have the weight transferred to their final exam.*
- *The final exam will cover all materials discussed in this course. The schedule will be announced later.*
- *There will be exercises posted on our course website regularly. Working on these exercises will be important in your preparation for exams.*
- *Final course grades may be adjusted to conform to Program or Faculty grades distribution profiles.*

## **IMPORTANT COURSE INFORMATION FOR STUDENTS**

All students are expected to familiarize themselves with the following information, available on the Senate Committee on Curriculum & Academic Standards webpage;

<http://www.yorku.ca/secretariat/policies/index-policies.html/>

- [York's Academic Honesty Policy and Procedures](#) / [Academic Integrity Web site](#)
- [Access/Disability](#)
- [Ethics Review Process](#) for Research Involving Human Participants
- [Religious Observance Accommodation](#)
- [Student Code of Conduct](#)