

SYLLABUS
MACROECONOMICS ECO394L
Fall 2019

Lectures: Mondays and Wednesdays, 02:00 pm-03:30 pm, BRB 1.118

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The best way to contact me is via email

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Office Hours: Thursdays 12:50-01:50 pm at BRB 2.158

Help sessions: (tentative) Fridays 02:00-03:30 pm in BRB 1.118

Course Description: Modern macroeconomics builds on microfoundations. This is the approach that we will take in the course. We construct step-by-step a micro-founded macroeconomic model where consumers and firms optimize and interact, yielding macroeconomic outcomes. Dynamic decisions are key. We will use the model we built in order to study business cycles, macro finance, fiscal and monetary policy issues. We will modify our model appropriately in order to understand the basic ideas behind the two main schools of thought: New Keynesian and Real Business Cycle Theory. We will see the differences between these two schools through their conclusions for optimal monetary policy and business cycles.

Textbook: Our main textbook is Modern Macroeconomics by S. Chugh, MIT press. Additional readings and notes will be distributed.

Grading: There will be three (non-cumulative) exams (Oct 2, Nov 6, Dec 9). We will be having homework assignments (see your canvas calendar for due dates). Each exam counts for 25% of your final grade and the homework counts for 23% of your final grade. The rest 2% of your final grade comes from attendance that will be taken during class on random dates.

I will use plus/minus grade categories when assigning final grades (i.e. A, A-, B+, B,...D-, F). Grades will be curved, meaning that your letter grade will be assigned based on your weighted average course score and your performance relative to the rest of the class. Please do not ask me about extra credit or extra work to improve your grade, as these are not available.

Important: Re-grading requests refer to the whole exam/assignment and not to specific questions/parts. All requests should be made in writing (email is fine) within three days

of receiving tests and assignments back. Later requests will not be accepted.

Prerequisites: You are expected to be familiar with the basics of consumer and firm theory, taking derivatives and solving optimization problems.

Course policies:

Homework

Late homework will not be accepted neither other type of accommodation could be given. There will be extra points in the assignments, to allow for some flexibility throughout the semester.

Exam

No make-up exams will be given without a university-approved and documented excuse. Please notify me prior to the exam except in the case of an accident or emergency. If you are seeking an excused absence due to illness, you must notify me prior to the exam (email me at azervou@utexas.edu) and provide confirmation of a visit to health care professional upon return. Where advanced notification is not feasible, notification must be given by the end of the second working day after the absence. Non-excused absences will result in a zero for that portion of your grade.

Attendance

Attendance is taken during class on random dates. You may miss 3 of those dates with no penalty; if there is a 4th absence, the 2% of the attendance grade will not be granted. That is, there is no partial grade for attendance.

Other

Please do not use in class phones/laptop/tablets, as it is destructing to me and to your classmates. If you need to use technology for a specific reason, please talk to me before class.

Statement on Academic Integrity: The University of Texas Honor Code states:

The core values of The University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the university is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community.

Each student in this course is expected to abide by the UT Honor Code and uphold academic integrity. What this means for this course: You are encouraged to study together and to discuss information and concepts covered in lecture and the recitation sections with other students. You can work together on homework assignments. However, this cooperation should never involve one student having possession of or copying directly from another student's work. Should such copying occur, both students involved will receive zeros for the assignment. In addition, directly copying from websites/books etc. for the homework will also return zero for the assignment.

During examinations, each student must do her/his own work. Any collaborative behavior or use of unauthorized material during the examinations will result in failure of the exam, and may lead to failure of the course and University disciplinary action. The same holds for usage of phones/laptop/tablets during exams; those items should be away from your desk at all times.

Use of Class Materials: The materials used in this class, including, but not limited to, exams, quizzes, and homework assignments are copyright protected works. Any unauthorized copying of the class materials is a violation of federal law and may result in disciplinary actions being taken against the student. Additionally, the sharing of class materials without the specific, express approval of the instructor may be a violation of the University's Student Honor Code and an act of academic dishonesty, which could result in further disciplinary action. This includes, among other things, uploading class materials to websites for the purpose of sharing those materials with other current or future students.

ADA Notice: Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities at 471-6259 (voice) or 232-2937 (video phone) or <http://www.utexas.edu/diversity/ddce/ssd>.

Behavior Concerns Advice Line (BCAL) : If you are worried about someone who is acting differently, you may use the Behavior Concerns Advice Line to discuss by phone your concerns about another individual's behavior. This service is provided through a partnership among the Office of the Dean of Students, the Counseling and Mental Health Center (CMHC), the Employee Assistance Program (EAP), and The University of Texas Police Department (UTPD). Call 512-232-5050 or visit <http://www.utexas.edu/safety/bcal>.

Emergency Evacuation Policy: Occupants of buildings on the UT Austin campus are required to evacuate and assemble outside when a fire alarm is activated or an announcement is made. Please be aware of the following policies regarding evacuation:

- Familiarize yourself with all exit doors of the classroom and the building. Remember that the nearest exit door may not be the one you used when you entered the building.
- If you require assistance to evacuate, inform me in writing during the first week of class.
- In the event of an evacuation, follow my instructions or those of class instructors. Do not re-enter a building unless you're given instructions by the Austin Fire Department, the UT Austin Police Department, or the Fire Prevention Services office.

Topics/Course Outline:

Consumer theory, static and dynamic decisions

Inflation and Interest rates

Dynamic Consumption-Labor framework

Firms' investment decisions

Intertemporal government decisions

Ricardian equivalence

Exam 1 (Chapters 1-7 and notes)

General equilibrium solution in static model

General equilibrium solution in dynamic model

Infinite-period framework and numerical solution

History of Macroeconomic thought

Real Business Cycle Theory

Exam 2 (Chapters 8-10, 14-15 and notes)

Money in the Macro Model

Monetary Policy

New Keynesian Macroeconomics

Optimal Policy: the flexible price framework

Optimal Policy: the rigid price framework

Exam 3 (Chapters 9, 13, 22-24 and notes)