

Econ 501
Spring 2019
4 Credits

General Macroeconomic Theory
M,W 3:30-4:50 317 DKH

Stephen L. Parente

Phone: 244-3625

e-mail:parente@illinois.edu

Office: 118 DKH

Office Hours: Monday, Tuesday 11:00-12:00

Compass2 Link to Course Material: <https://compass2g.illinois.edu/>

T.A. Mariya Shappo

Office: 110 DKH

Office Hours: Monday – Thursday 9:00-10:00 AM

Recitation: Fridays, 3:30-4:50 317 DKH

No Recitation: February 15

COURSE OBJECTIVE

This course introduces students to some important macroeconomic models and the quantitative methodology known as model calibration for the purpose of gaining insight into a number of interesting issues in growth, public finance, and business cycles. These models are fully modern in that they are dynamic, grounded on microeconomic theory, and employ general equilibrium analysis. These models will be calibrated for either the purpose of testing theory or evaluating policy.

This course has sprung forth out of my and others' displeasure with the way Macroeconomics is taught at the masters and undergraduate levels. A necessary condition for a society to be well governed is having an educated citizenry. This means that people like you have to be able to evaluate alternative policies that are being proposed. By the end of the course, the hope and expectation is that you will be better at this than most in Washington DC, Brussels or Strasburg. A world with better macro economic policies would be a much "nicer" place to live.

READINGS

There is no textbook, as none exists that presents the growth model and business cycle theory adequately. There will be readings in the form of typed lecture notes as well as published papers. All lecture notes and articles are posted on the Compass2 website.

RECITATIONS

Recitations are an important component of the course. They will serve many roles: they will be used to address any questions you may have about the main lecture material; they will be used to continue or elaborate on the lecture material; they will serve as a format to explain the home projects; and they will go over the solutions to assigned problems and past exam questions.

GRADING

Your course grade will be based on two midterm exams, a final exam and numerous out of class assignments. The midterms will contribute 35 percent each; the final will contribute 20 percent; and the problem sets the remaining 10 percent. In determining your course grade, other factors such as class participation may be considered in a non-detrimental way.

Problem Sets: Some of the out-of-class assignments require the use of Excel or some other spreadsheet. Others are based on interactive computer programs that have been written by the TAs. Others are in the form of traditional problem sets. All homework assignments and codes will be made available on the Compass2 webpage. Due Dates are listed on the Compass2 Webpage. To reduce waste, I will not hand out any hard copies.

Exams: The First midterm will be on Monday February 25; the second on Monday April 9; and the final on Thursday, May 9 from 8:00-11:00 AM. (In the case that your other classes have scheduled midterms on these dates, we may consider changing them).

ACADEMIC DISHONESTY-

The University takes serious violations of academic dishonesty. The penalty for Academic dishonesty will be an F for the particular assignment/exam and potentially an F for the course. Students are advised to consult the LAS Student Handbook for definitions of academic dishonesty.

Disability Accommodations -To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to disability@uiuc.edu."

Emergency Planning [Emergency Response Recommendations](#)

The Department of Homeland Security and the University of Illinois at Urbana-Champaign Office of Campus Emergency Planning recommend the following three responses to any emergency on campus: **RUN > HIDE > FIGHT**

Only follow these actions if safe to do so. When in doubt, follow your instincts—you are your own best advocate!

Important University Dates:

Spring Break 3/16- 3/24

Last Day of Classes 5/1

Final Exam Thursday May 9th 8:00-11:00 AM

Course Outline and Readings

Econ 501

Topic/Lecture Notes

Dates (Approximate)

Transformation of Macroeconomics	January 14
Micro Foundations and General Equilibrium	January 16
Calibration Example Using Solow Growth Model	January 23, 28
Labor/Leisure and Work Hour Differences	January 30, February 4
Savings, Wealth and Government Finance	February 6, 11
Overlapping Generations Approach: Pension Reform	February 13, 18
Midterm I (in class)	February 25
Dynastic Approach: Tax Reform	February 20, 27
Business Cycle Facts	March 4, 6
Real Business Cycle Theory	March 11, 13
Monetary Business Cycle Theory	March 25, 27
Midterm II (in class)	April 8
Growth and Development Facts	April 2, 4
Endogenous Growth	April 10
The Malthus Model	April 15, 17
Unified Growth Theory	April 22, 24
Proximate and Fundamental Causes Differences	April 29, May 1
Final Exam (8:00-11:00 AM)	May 9