

*We acknowledge and respect the Lak<sup>w</sup>anan (Songhees) and X<sup>w</sup>sepsam (Esquimalt) Peoples on whose territories the University of Victoria stands, and the Lak<sup>w</sup>anan and WSANEC Peoples whose historical relationships with this land continue to this day.*

**Course Outline**  
**Econ 552-A01**  
**Macroeconomic Issues (CRN:11164 )**  
**Fall 2026**

**Instructor:** Alok Kumar

**Office:** BEC 334

**Class Hours:** Monday and Thursday, 13:00 -14:20, BEC 363

**Office Hours:** Monday, 10:30 -12:00 , BEC 334

**Tel:** 721-8543

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**Teaching Modalities and Teaching Expectations:** This course is face to face and all exams are held in person.

**Course Description**

In this course we will examine the effects of fiscal policies, monetary policies and public expenditure on schooling on economic activities in both developed and developing countries. Students will learn to calibrate, numerically solve and simulate a range of dynamic stochastic general equilibrium (DSGE) models with or without nominal rigidities and use them to analyze the macroeconomic effects of public policies. This course is aimed at students who would like to write their M.A. or Ph.D. essay/thesis in macro/monetary economics.

**Recommended Textbooks:**

Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework, Jordi Gali, Princeton University Press, 2008. Excellent graduate level introduction to New Keynesian Models.

Structural Macroeconometrics, David Dejong and Chetan Dave, Princeton University Press, 2007. An excellent treatment of estimation techniques, calibration and simulation of DSGE models for graduate students.

Open Economy Macroeconomics in Developing Countries, Carlos A. Vegh, MIT Press, 2013. A comprehensive graduate text-book focussed on the macroeconomics of developing countries.

We will use DYNARE software for simulating DSGE models, which is widely used in monetary economics and macroeconomics. I expect all students to be familiar with this software. This software is installed in the Economics Computer Lab (BEC 317). It is freely available and can be downloaded from <https://www.dynare.org/> for your personal use. Students can also access, user guide, manual, program codes, and a number of working papers related to calibration, simulation and estimation of DSGE models. DYNARE works with MATLAB or OCTAVE. If you do not already have MATLAB, then as a registered student of UVIC you can download it for free from <https://matlab.engr.uvic.ca/>. You can download OCTAVE for free from: <http://www.gnu.org/software/octave/support.html>.

### **Grading :**

Grading will be based on two assignments and a project. Weights: Assignment – 20%, Project – 80%.

Project has two parts: (i) Project Proposal (20%) and (ii) Project Report (60%).

### **Important Remark:**

1. Assignments, project proposal and project report must be typed. Project proposal and project report must follow the guidelines posted on the course web-page.
2. Assignments, project proposal and project report must be submitted by due date, unless prior approval has been taken from the instructor. Late submissions will not be marked.
3. The assignment must be submitted in class as a hard copy. It must be **typed and properly stapled**. Email submissions will not be accepted.
4. The use of AI is not permitted for doing assignments. Should you violate this rule, you will have violated UVic's Policy on Academic Integrity and a complaint against you under this policy will be filed accordingly.

5. The university reserves the right to use a plagiarism software to detect violations of academic integrity.
6. In order to pass this course students must submit the project proposal and project report.

## Due Dates

**Project Proposal Due:** Thursday, 22nd October in class.

**Project Report Due:** Monday, 7th December in class.

**Assignments:** I will post assignments as the course progresses. I will post the assignments at least one week before their due date.

I will cover following topics. I will post lecture notes, slides and assignments and their solutions on BRIGHTSPACE.

## Topics

### (1.) Inter-Temporal Models

Lecture 1

### (2.) Business Cycle in Developing Countries: RBC Models

Lecture 2

Aguiar, M. and G. Gopinath (2007), “Emerging Market Business Cycles: The Cycle is the Trend”, *Journal of Political Economy*, 115 (1), 69-102.

Chang, R. and A. Fernandez (2013), “On the Sources of Aggregate Fluctuations in Emerging Economies”, *International Economic Review*, 54(4), 1265-1293.

Garcia-Cicco, J., R. Pancrazi, and M. Uribe (2010), “Real Business Cycles in Emerging Countries”, *American Economic Review*, 100, 2510-2531.

Naoussi, C. and F. Tripier (2013), “Trend Shocks and Economic Development”, *Journal of Development Economics*, 103, 29-42.

### (3.) Macro-Economic Effects of Human Capital Investment

Kumar, Alok (2025), “Welfare and Income Effects of Tuition Subsidies and Public Investment in Schooling”, *Economic Modelling*, 163, 107001.

Kumar, Alok (2026 a.), “ Human and Physical Capital: Welfare and Income Effects of Government Spending”, *Journal of Macroeconomics*, 87, 10373.

(4.) Money in Utility Function (MIU) Models

Lecture 3, Gali Chapter 2, Walsh Chapter 2

(5.) Calibrating, Solving and Simulating Dynamic General Equilibrium Monetary Models

Lecture 4

(6.) New-Keynesian Models

Lecture 5, Gali Chapters 3 and 6, Walsh Chapter 5

(7.) Government Expenditure Multipliers in Advanced Countries

Leeper, E., N. Traum and T. Walker (2017), “Clearing Up The Fiscal Multiplier Morass”, *American Economic Review*, 107, 2409-54.

Sims, E. and J. Wolff (2017), “The Output and Welfare Effects of Government Spending Shocks Over the Business Cycle”, *International Economic Review*, 59, 1403-1435.

(8.) Government Expenditure Multipliers in Developing Countries

Ilzetzki, E., E. Mendoza and C. Vegh (2013), “How Big (Small) Are Fiscal Multipliers?”, *Journal of Monetary Economics*, 60, 239-254.

Hory, M. (2016), “Fiscal Multipliers in Emerging Market Economies: Can We Learn Something from Advanced Countries?”, *International Economics*, 146, 59-84.

Kumar, Alok (2023), “Financial Market Imperfections, Informality and Government Spending Multipliers”, *Journal of Development Economics*, 163, 103103.

Michaud, A. and J. Rothert (2018), “Redistributive Fiscal Policies and Business Cycle in Emerging Economies”, *Journal of International Economics*, 112, 123-133.

Shen W., S. Yang and L. Zanna (2018), “Government Spending Effects in Low-Income Countries”, *Journal of Development Economics*, 133, 201-219.

(9.) Human Capital Investment in New-Keynesian Models

Kumar, Alok (2026b), “Human Capital Investment and Optimal Monetary Policy”, Mimeo.

Kumar, Alok (2026c), “Human Capital Formation and Output and Welfare Effects of Government Spending”, Mimeo.

### Some Important Comments

1. **Grade Concerns:** Students who have questions or concerns regarding their grade should discuss with me during office hours. **All concerns must be brought to my attention no later than one week after the graded material was returned.** After one week, any assigned grade is final.
2. **Academic Integrity:** Academic integrity is fundamental to all scholarly work. At the University of Victoria (UVic), students are expected to comply with the university’s academic regulations and must not engage in acts of dishonesty, falsification, misrepresentation, or deception in any academic work. Violations of the University’s Academic Integrity Policy may result in academic or disciplinary consequences.
3. The university reserves the right to use a plagiarism software to detect violations of academic integrity.
4. **Policy on Inclusivity and Diversity:** The University of Victoria is committed to promoting, providing and protecting a positive and safe learning and working environment for all its members.
5. **Travel Plans:** Students are advised not to make travel plans until after the examination timetable has been finalized. Students who wish to finalize their travel plans at an earlier date should book flights that depart after the end of the examination period (see the University Calendar). There will be no special accommodation if travel plans conflict with the examination.
6. **Letter Grading:** Numerical score (%) equivalencies used in the Department are as follows:

|               |           |           |         |
|---------------|-----------|-----------|---------|
| A+ $\geq$ 90% | B+ 77-79% | C+ 65-69% | F < 50% |
| A 85-89%      | B 73-76%  | C 60-64%  |         |
| A- 80-84%     | B- 70-72% | D 50-59%  |         |

For the grading scale and expectations, please see: Grading Scale And Expectations

7. **DEF Grade:** Students who have not completed all course requirements at the time of grade submission are advised to obtain a *Request for Academic Concession* form for a DEF grade.

8. **Course Policies:** The University and the Departmental course policies can be found at The University and the Departmental course policies can be found at Course Policies.

This document summarizes departmental and university policies on academic concessions, academic integrity (plagiarism and cheating), attendance, grading, inclusivity and diversity, late adds, late assignments, repeating courses, review of an assigned grade, students with a disability, term assignments and debarment from exams, end-of-term travel plans, waitlists, and sexualized violence prevention and response.

9. **Add and Drop Deadlines:** Drop Dates: 100% Fee Reduction: September 22; 50% Fee Reduction: October 13; No Fee Reduction: October 31. Add Deadline: September 25.

10. **E-Mails:** Emails should be limited to critical matters, such as inability to attend class, an exam, or prolonged illness, and should include the course name and number in the subject line. Questions on course material should be asked during classes or office hours. The standard format for writing a letter must be used. This means it should start off with a salutation (e.g. Dear) include full sentences and conclude with a signature that includes your name (e.g. Sincerely, your full name). Text message lingo should not be used.

11. It is the responsibility of students to check their registration status and keep it up to date.

12. **Sexualized Violence Prevention and Response:** UVIC takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting [www.uvic.ca/svp](http://www.uvic.ca/svp) . If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity and Human Rights (EQHR). Contact [svpcordinator@uvic.ca](mailto:svpcordinator@uvic.ca).

13. From time to time there will be other announcements and they will be posted on BRIGHTSPACE. It is the responsibility of students to visit BRIGHTSPACE regularly.

**Important Note:** I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future. When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to <http://ces.uvic.ca>. You will need to use your UVic NetLink ID to access the survey, which can be done on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

1. What strengths did your instructor demonstrate that helped you learn in this course?
2. Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
3. Please provide specific suggestions as to how this course could be improved.