

UNIVERSITY OF WATERLOO
Department of Economics
Economics 202(01) – Macroeconomic Theory I

Angela Trimarchi

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Office Hours: **T** 12:30-2:30 p.m. **Th** 12:30–1:30 p.m.
Class Meetings: TTh 8:30-9:50 a.m.
Location: PAS 2083

Course Webpage: <http://economics.uwaterloo.ca/fac-Trimarchi.html>

Angel Website: <https://uwangel.uwaterloo.ca/uwangel/default.asp>

Companion Website Information: <http://www.pearsoned.ca/abel>

Required Text:

Andrew B. Abel, Ben S. Bernanke, and Gregor W. Smith, et. all Macroeconomics: Fifth Canadian Edition. Addison-Wesley Publishers Limited, 2009.

Study Guide:

Dean Croushore and Lance Shandler, Macroeconomics: Fifth Canadian Edition. Addison-Wesley Publishers Limited, 2009.

Course Objectives:

Macroeconomic Theory I is designed to provide students with a solid command of intermediate macroeconomic theory as a tool for understanding how the Canadian economy behaves as a whole. This course attempts to strike an appropriate balance between the analysis of long-run and short-run macroeconomic performance; between Keynesian and Classical perspectives; between theory and policy applications.

This course develops basic theoretical models of goods, labour and asset markets and analyses interactions among these markets in the framework of the economy as a whole. Topics include: determinants of key macroeconomic variables such as GDP, interest rates, inflation and unemployment. After an introduction to the course, we will review the meaning and measurement of selected macro variables. We will then develop Classical and Keynesian models for closed and open economies. To conclude the course, we will examine the problems of inflation and unemployment and questions related to government deficits and debt.

Textbook Readings:

Topic 1: Introduction
Chapter 1
Chapter 8 pp. 251-260

Comments:

Chapter 1

It is important that you read Chapter 1 but don't spend a lot of time on it.

Chapter 8

The text mentions that economic growth is an important macroeconomic issue. This is certainly true, but it is a topic that is best left to more advanced courses.

Topic 2: Some Basic Macroeconomic Concepts
Chapter 2

Comments:

There are a couple of minor differences between the notes and the text: (1) the notes use the concept of personal disposable income whereas the text employs private disposable income, and (2) the notes distinguish between personal and business saving whereas the text does not.

Topic 3: The Aggregate Production Function and the Labour Market
Chapter 3

Topic 4: The Goods Market
Chapter 4

Comments:

Students often have difficulty understanding the effects of fiscal policy on desired consumption and desired national saving (pp. 116-119). Because of this, I have tried to explain these effects in some detail.

Omit reading in Table 4.1 – Calculating After-Tax Interest Rates and "Taxes and the Real Return to Saving" pp 114-116.

Topic 5: The Asset Market
Chapter 7: pp. 223-236, pp. 238-241

Comments:

Omit reading on "Elasticities of Money Demand" and "Quantity Theory of Money" pp. 236-38.

The lecture notes do not explain how central banks (the Bank of Canada in this country) control the money supply. To refresh your memory on how this is done, briefly review your Economics 102 notes dealing with this topic. In addition, see pages 228-229 in the text.

Topic 6: The Complete Classical Model
Chapter 9 pp. 281-300

Comments

Section 9.5 attempts to fuse the classical and Keynesian models by using the Keynesian approach to explain how equilibrium is achieved in the classical model. In my opinion, this approach leads to confusion, and it is difficult to follow without first having read Chapter 12. For these reasons, you should omit Section 9.5. The approach used in lectures is more straightforward.

Topic 7: A Keynesian Model

Chapter 12: Appendix 12.A pp. 474-480,
pp. 450-463

Also read pp. 455-462 3rd Ed. (Section 12.3) (*may be accessed by clicking on the UW Library Course Reserves link on UW-ACE – see diagram page 4*).

Comments

The discussions of the efficiency wage model and price stickiness in Sections 12A and Section 12.4 are more detailed than we require, so read these sections selectively. Section 12.5, especially the part dealing with stabilization policy, is highly recommended. Skip the material dealing with (a) the so-called classical model and (b) the AD-AS approach.

A more detailed reading list for Chapter 12 can be found on UW-ACE under the Lecture Notes for this topic.

Topic 8: Aggregate Demand and Aggregate Supply

Chapter 8: pp. 273-278

Chapter 9: pp. 307-315

Chapter 12: pp. 441-449

Comments

Try to focus on the material dealing with the AD-AS approach.

Topic 9: Macroeconomics in an Open Economy

Chapter 5 pp. 144-153, pp. 169-173

Chapter 10: pp. 332-340, pp. 345-363

Comments

In the notes I draw on parts of Chapters 5 and 10 to formulate what I hope is a coherent discussion of macroeconomics in a small open economy.

Topic 10: Government Deficits and Debt

Chapter 15: pp. 560-573, pp. 577-584

Comments

Chapter 15 is a very readable chapter dealing with a macroeconomic issue that is currently quite important.

Topic 11: Inflation and Unemployment

Chapter 13: 13.1 only pp. 484-498

Please note:

The material on the midterms and final exam are based on the lecture notes. When studying, please read the lecture notes first and use the textbook as a guide to what was said in class.

Course Evaluation

Exam	Date	Time	Location	Weight
1 st Test	Thurs May 19 th , 2011	T. B. A.	T. B. A.	20%
2 nd Test	Thurs July 07 th , 2011	T. B. A.	T. B. A.	20%
Final	Scheduled by the Registrar's Office			60%

Students are responsible for visiting UW-ACE and attending lectures prior to midterm dates to confirm midterm content. There will be practice assignments for students to complete (not worth any marks)

Make-Up Policy

There is no deferred mid-term exam. Students who are unable to write a mid-term because of documented personal illness or other sufficient cause, will transfer the weight of that exam to the final. *A student who misses a mid-term must go to see the instructor in person with an original document within 48 hours of the midterm exam.* In the absence of sufficient cause, failure to write a mid-term will result in a grade of zero.

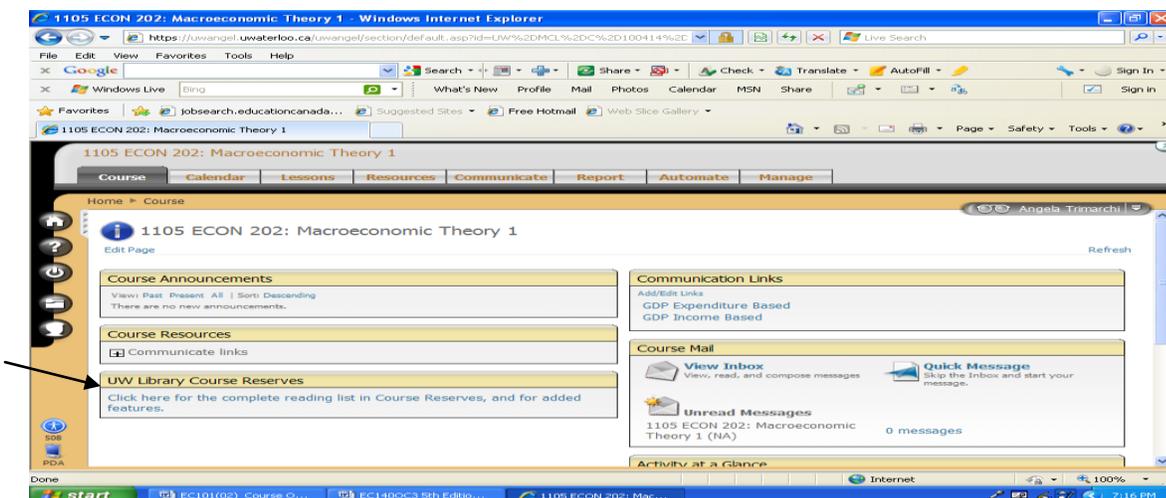
Deferred Exam Policy

Students are required to write the final exam during the final exam period. A student who misses the final exam, must petition to defer. The Deferred Exam Policy is listed on the Department of Economics website and may be accessed by clicking on the following link:

<http://economics.uwaterloo.ca/DeferredExams.html>

Course Reserves

The textbook and study guide are on reserve in the Dana Porter Library for a three (3) hour loan period. Section 12.3 pp. 455-462 3rd Edition may be access electronically in Course Reserves directly from UW-ACE by clicking on the section "UW Library Course Reserves" (see sample diagram below).



Dealing with Plagiarism and Other Academic Offences:

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on the categories of offences and types of penalties, students should refer to Policy 71 - Student Discipline, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>.

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 – Student Petitions and Grievances, Section 4, <http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm>.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 – Student Petitions and Grievances (other than regarding a petition) or Policy 71 – Student Discipline if a ground for an appeal can be established. Read Policy 72 – Student Appeals, <http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>

Academic Integrity Website (Arts):

http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html

Academic Integrity Office (UW): <http://uwaterloo.ca/academicintegrity>

Accommodation for Students with Disabilities:

Note for students with disabilities. The Office for Persons with Disabilities (OPD), located in NH1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.

Cross-listed course:

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.