

**UNIVERSITY OF WATERLOO**  
**Department of Economics**  
**Economics 102(01) - Introduction to Macroeconomics**

**Angela Trimarchi**

**Spring 2011**

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**Office Hours:** **T** 12:30-2:30 p.m. **Th** 12:30-1:30 p.m.  
**Class Meetings:** MWF: 11:30-12:20 p.m.  
**Location:** DC 1351  
**Course Webpage:** <http://economics.uwaterloo.ca/fac-Trimarchi.html>  
**Angel Website:** <http://uwace.uwaterloo.ca/>

**Companion Website Information:** <http://www.mankiw5e.nelson.com>

**Course Objectives:**

This course introduces students to the principles essential to understanding contemporary macroeconomic issues. The course also provides an introduction to the determination of national income, unemployment and inflation, interest rates, the exchange rate and monetary and fiscal policy.

**Course Textbook and Study Guide**

The textbook that will be used in this course is:

Principles of Macroeconomics. Mankiw N. Gregory, Thomson Nelson, Fifth Canadian Edition.  
ISBN 9780176502423

The study guide that will be used is:

Principles of Macroeconomics. Mankiw, Kneebone, McKenzie, Fortura, Thomson Nelson, Fifth Canadian Edition. ISBN 9780176622954

**Course Outline:**

**I. Introduction**

- Chapter 1: Ten Principles of Economics
- Chapter 2: Thinking Like an Economist  
Appendix Graphing: A Brief Review
- Chapter 3: Interdependence and the Gains from Trade

**Comments:**

**Chapter 1:**

*Omit reading on the following concepts:*

- *page 12 - Property rights*
- *page 13 - Market Failure, externality, market power*
- *page 14 - Inflation*
- *page 15- Business cycles*
- *These concepts will be discussed later on in the course.*

**Chapter 2:**

- *page 25 - Figure 2.1 - Circular Flow Diagram –is slightly different than the Circular flow Diagram presented in the notes.*
- *The markets for goods and services and the markets for factors of production are switched around.*
- *However, the same idea of the circular flow of an economy is relevant in both diagrams.*

## **II. The Data of Macroeconomics**

Chapter 5: Measuring a Nation's Income

Chapter 6: Measuring the Cost of Living

### **Comments:**

#### **Chapter 5:**

- Read about the Fisher Volume Index in the lecture notes posted on UW-ACE for Chapter 5: Measuring a Nation's Income
- Omit reading on the following concepts:
- Page 102 - FYI - "Other Measures of Income" - Net National Product (NNP) and Personal Income
- Omit reading on real gdp versus nominal gdp pages 106-108

## **III. The Real Economy in the Long Run**

Chapter 7: Production and Growth

Chapter 8: Saving and Investment and the Financial System

*Read also: Chapter 17: pp. 447-451 "Should Governments Balance their Budgets?"*

### **Comments:**

#### **Chapter 7:**

- Page 145 - FYI box "The Production Function" - don't worry about reading re: constant returns to scale

#### **Chapter 8:**

- Page 170 - don't worry about the definition of a mutual fund
- Page 182 - don't worry about the definitions of vicious circle and virtuous circle

## **IV. Unemployment and the Monetary System**

Chapter 9: Unemployment and Its Natural Rate

Chapter 10: The Monetary System

*Read also: Chapter 15: pp. 367-372 "The Theory of Liquidity Preference"*

### **Comments:**

#### **Chapter 9:**

- Page 197 - the text mentions 'discouraged searchers' but in lectures I talk about 'discouraged workers' - each of these concepts means the same thing

#### **Chapter 10:**

- Page 225 - Figure 10.1 - "Two Measures of the Money Stock for the Canadian Economy" - M1+ currency plus demand deposits was formerly called M1 in the 4<sup>th</sup> Edition
- Both M1 and M1+ mean the same thing
- Note: 'money stock' and 'money supply' mean the same thing
- Page 233 - Omit reading on 'foreign exchange market operations' and 'sterilization'

## V. Inflation, Open Economy Macroeconomics, Short-Run Economic Fluctuations

Chapter 11: Money Growth and Inflation

*Read also: Chapter 17: pp. 444-447 "Should the Central Bank Aim for Zero Inflation?"*

Chapter 12: Open Economy Macroeconomics: Basic Concepts

*Read also: Chapter 10 p. 233 paragraph 2 – foreign exchange market operations*

Chapter 14: Aggregate Demand and Aggregate Supply

*Read also: Chapter 15: pp. 372-379 – "The Downward Slope of the Aggregate Demand Curve"*

### Comments

#### Chapter 11

- *Page 258 – Omit reading on 'Relative-Price Variability and the Misallocation of Resources'*
- *Page 259 – Table 11.1 "How Inflation Raises the Tax Burden on Saving" and paragraph 2 – Omit reading on tax treatment of interest income*

#### Chapter 12

- *Pages 274-275 – Omit reading on "The Flow of Financial Resources: Net Capital Outflow"*
- *Pages 275-276 – Omit reading on "The Equality of Net Exports and Net Capital Outflow"*
- *Pages 277-278 – Omit reading on "Saving, Investment, and Their Relationship to the International Flows"*

#### Chapter 14:

- *Page 332 – Omit reading on "The Price Level and Consumption: The Wealth Effect"*
- *Page 343-344 – Omit reading on the sticky-price theory*
- *Page 344 – Omit reading on the misperceptions theory*

### Course Evaluation

The course evaluation will consist of two (2) midterm tests and a final examination.

Exam	Date	Time	Weight
Midterm 1	Friday, May 27 <sup>th</sup> 2011	T.B.A.	25.0%
Midterm 2	Friday, June 24 <sup>th</sup> 2011	T.B.A.	25.0%
Final	Scheduled by the Registrar's Office		50.0%

### Student Responsibilities Prior to Midterms

Students are responsible for attending lectures prior to midterm dates and checking UW-ACE (click the **Lessons tab** and choose the folder **Midterm Information**) to confirm the chapters on each test.

## 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.

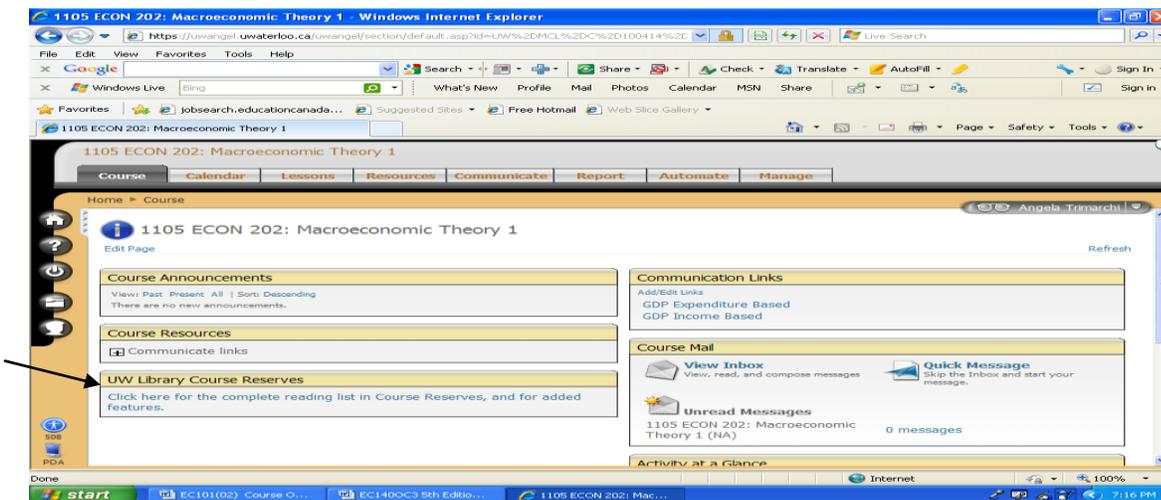
## Deferred Exam Policy

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. A description of the materials in Course Reserves along with the call number may be accessed 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](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.

### **Class Cancellations for the Spring 2011 Term:**

I will be away Friday June 17<sup>th</sup> 2011 due to an off-campus commitment. The date of the make-up class will be posted on the Announcements page of UW-ACE. For students that can't attend the make-up class full lecture notes will be posted on UW-ACE. I will also try to make arrangements for audio-visual to record my lecture. The DVD of the make-up lecture will be available in the CHIP office located in MC1052 in the Media Resources Library.

### **Statutory Holidays during the Spring 2011 Term:**

Please note the following calendar regulations:

There will be no class on Monday, May 23<sup>rd</sup> 2011 – Victoria Day

There will be no class on Friday, July 1<sup>st</sup> 2011 – University Holliday