

University of Waterloo
Department of Economics
Economics 202 - Macroeconomic Theory 1 - Section 004
Spring 2011

Instructor: Nafeez Fatima

Office: HH 105

Phone: 519-888-4567, ext. 38771

E-mail Address: n2fatima@uwaterloo.ca

Office Hours: Thursdays & Fridays from 1.00 pm to 3.15 pm

(Other times by appointment only)

Lecture Hours: Mondays and Wednesdays from 4.00 pm to 5.20 pm in DWE 3522

Course Objectives:

This is the first course in macroeconomic theory sequence and provides an extension of the tools developed in Econ 102. The focus of this course is to understand the key macroeconomic variables such as GDP, inflation, unemployment rate, interest rate and exchange rate and how these variables are influenced by both monetary and fiscal policies of the government. The course will cover both short run fluctuations in the economy (business cycles) and long run trends (economic growth). The objective of this course is to present a full coverage of modern macroeconomic theories and develop basic models to analyze short run and long run phenomena for both closed and open economy.

The questions of concern will include: Why are so many countries poor? What policies might help them to grow out of poverty? What causes recessions? Can the government do anything to combat recessions? Should it? What are the sources of economic booms and recessions? Why is there unemployment? What are the sources of inflation? And, how do government policies affect output, inflation and unemployment?

We will discuss the standard analytical methods used in macroeconomics that address these issues and provide a rigorous treatment of macroeconomic theories. We will closely look at the underlying micro foundations of macroeconomic theories and emphasize on the role of expectations. The macroeconomic theories will be used to understand the workings of different economies of the world with special emphasis on Canadian economy. After completion of this course students will learn how these theoretical frameworks can be used to understand and interpret actual macroeconomic events.

Prerequisites:

Econ 101 & Econ 102.

Required Textbook:

Mankiw, Gregory N. and William Scarth, *Macroeconomics, 4th Canadian Edition*. New York: Worth Publishers, 2011.

**Students can also use the 3rd edition of the textbook. **

Recommended Study Guide:

Kaufman, R.T. and William Scarth, 2011, *Student Guide and Workbook for Macroeconomics, 4th Canadian Edition*, New York: Worth Publishers.

Companion Website:

www.worthpublishers.com/mankiw

Resources:

Course related materials are posted on UW-ACE at
1115 ECON 202: Macroeconomic Theory 1.

It is highly recommended that students attend the lectures and read the textbook. Lecture notes are provided as a supplement to the text book. The content of the exams will be announced in class and on UW- Ace. Students are responsible for visiting this site frequently.

Additional Help:

There is a tutorial service (Economic Clinic) offered by Department of Economics to assist students with core courses in Economics: Econ101, Econ 102, Econ 201, Econ 202 and Econ 211. For time and location for the clinic visit the following webpage:
<http://www.economics.uwaterloo.ca/fac-Van%20de%20Waal.html>

Course Evaluation:

Student evaluation for this course consists of two in-class midterm exams and a final exam. The exams will include both multiple choices and short questions. The rooms assigned for the midterm exams will be announced later in class and on UW-Ace. Final exam will be comprehensive; it will include all materials covered during the term. The final exam date will be announced by the Registrar's Office. The final exam period for Spring 2011 term is from August 2 to August 13. Final Examination Schedule will be available around June 8, 2011. Students are expected to be available during this time. An alternative final exam time is not allowed on the ground of travel plans. See the following webpage for details:
<http://www.registrar.uwaterloo.ca/exams/finalexams.html>

The Exam schedule is:

Exams	Date	Time	Chapters	Weight
Midterm 1	Wednesday, June 1, 2011	4.00 pm to 5.20 pm	Chapters 1-5	25%
Midterm 2	Wednesday, July 6, 2011	4.00 pm to 5.20 pm	Chapters 7-11	25%
Final	To be announced	To be announced	Comprehensive	50%

Policy for Missed Exams:

No make-up exams will be provided for this course. Students who do not have a relevant medical certificate will receive a mark of zero on any missed exam and their final grade will be assigned in accordance with the formula specified above. For students who have valid medical certificate (approved by the instructor), the weight of the missed exam will be transferred to the final exam. No deferred final exam will be provided for student who missed all the exams (including the final exam) in this course. Students are advised to notify the instructor in person about the missed exam as soon as they are better. E-mail notification about the missed exam is not accepted. For policy regarding missed final exam, visit the following webpage:

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

Remarking Policy:

If any student feels that the exam is not marked properly, he/she must inform the instructor within 6 days of the date on which the grades are posted on UW-Ace. Please be advised that the entire test will be remarked and the grade may improve, remain unchanged or perhaps even decrease as a result of the remarking process.

Grades:

Exam marks will be posted on UW-ACE. Posting grades in public places or sending grades by e-mail are prohibited by university regulations.

Topics Covered:

Topic 1: Introduction to Macroeconomics, Ch 1-2

Topic 2: Classical Theory: The Economy in the Long Run, Ch 3-5

Topic 3: Growth Theory: The Economy in the Very Long Run, Ch 7-8

Topic 4: Business Cycle Theory: The Economy in the Short Run, Ch 9-13

Topic 5: Current Financial Crisis & The History of Modern Macroeconomics (time permitting)

*****This course schedule is tentative. There may be addition or slight modification in this schedule given the pace of the class. ****

Tentative Class Schedule and Reading List:

Week	Date	Lecture Topics and Related Readings
1	May 2	The Science of Macroeconomics (Chapter 1)
1	May 4	The Data of Macroeconomics (Chapter 2)
2	May 9	The Data of Macroeconomics (Chapter 2) & National Income: Where It Comes From and Where It Goes (Chapter 3)
2	May 11	National Income: Where It Comes From and Where It Goes (Chapter 3)
3	May 16	National Income: Where It Comes From and Where It Goes (Chapter 3) & Money and Inflation (Chapter 4)
3	May 18	Money and Inflation (Chapter 4)
4	May 23	Victoria Day- No Class
4	May 25	Money and Inflation (Chapter 4) & The Open Economy (Chapter 5)
5	May 30	The Open Economy (Chapter 5) & Review
5	June 1	Midterm 1 (Chapters 1-5)
6	June 6	Economic Growth I: Capital Accumulation and Population Growth (Chapter 7)
6	June 8	Economic Growth I: Capital Accumulation and Population Growth (Chapter 7)
7	June 13	Economic Growth II: Technology, Empirics, and Policy (Chapter 8)
7	June 15	Economic Growth II: Technology, Empirics, and Policy (Chapter 8)
8	June 20	Introduction to Economic Fluctuations (Chapter 9)
8	June 22	Aggregate Demand I: Building the IS-LM Model (Chapter 10)
9	June 27	Aggregate Demand I: Building the IS-LM Model (Chapter 10)
9	June 29	Aggregate Demand II: Applying the IS-LM Model (Chapter 11)
10	July 4	Aggregate Demand II: Applying the IS-LM Model (Chapter 11) & Review
10	July 6	Midterm 2 (Chapters 7, 8, 9 10 & 11)
11	July 11	The Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime (Chapter 12)
11	July 13	The Open Economy Revisited: The Mundell-Fleming Model and the Exchange-Rate Regime (Chapter 12)
12	July 18	Aggregate Supply and the Short-Run Tradeoff Between Inflation and Unemployment (Chapter 13)

Tentative Class Schedule & Reading List (cont.):

Week	Date	Lecture Topics and Related Readings
12	July 20	Aggregate Supply and the Short-Run Tradeoff Between Inflation and Unemployment (Chapter 13)
13	July 25	Current Financial Crisis & The History of Modern Macroeconomics & Review

Notes:

Although it is not mandatory, attendance is highly recommended. Some of the materials covered in the class will not be included in the lecture notes so it is strongly advised that students attend classes regularly. Student participation in class is also highly encouraged. Since, the course contents are technical in nature; a person to person communication is preferred to answer questions. Students are welcome to ask any questions during the regular office hours. Regarding e-mail communication, students should use the university e-mail address. **When sending an e-mail, write Econ 202 on the subject line and include your name, student ID number and the section number.**

Notes on Avoidance of 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.

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>

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offenses, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (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 categories of offenses and types of penalties, students should refer to Policy 71 – Student Discipline, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.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>

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.