

UNIVERSITY OF WATERLOO
ECON 102-003: Principles of Macroeconomics, Fall 2014
Tuesday and Thursday 11:30AM -12:50PM, DC 1350

Instructor

Maria Fabiana Viola

Office location: HH162

E-mail: m2viola@uwaterloo.ca

Office Hours: Tuesday, 1.30pm-3.00pm

T.A.: There is no T.A. for this class

- When sending e-mails, "Econ 102-03" must appear in the subject line and the message must include your full name and ID number
- E-mail is for administrative concerns only. I will be available during office hours, or by appointment, to discuss course material. Group consultations are welcomed.

Course Description:

The course is an introduction to the study of macroeconomic principles, and their application to domestic and international macroeconomic policy. With a special emphasis on the Canadian economy, its goal is to introduce students to the economic theory so that they can analyze and synthesize specific economic issues such as economic growth, unemployment, and inflation. The course provides a consistent framework to understand the behavior of the main macroeconomic variables, such as, for instance, interest rates, exchange rates, consumption, investment, balance of payments, and budget deficits. It will also help students to understand how monetary and fiscal policies can be used to influence short-run macroeconomic conditions.

Goals for Student Learning

Students will:

- develop an "economic way of thinking";
- understand how to measure economic activity, unemployment and inflation;
- learn how to use economic models, theories and principles;
- understand fiscal and monetary policies.

Required Text

Parkin, Michael and Robin Bade (2012). *Macroeconomics: Canada in the Global Environment*, 8th edition. Pearson Education Canada. Available from the UW BookStore.

Notes From the Book Store

The UW Book Store has the following editions of the same textbook package (buy only one):

- Option 1: *Macroeconomics (Paperback) Textbook, Study Guide and MyEconLab* (\$149.95 + GST)
- Option 2: *Macroeconomics (Loose leaf) Binder Ready Textbook, Study Guide and MyEconLab* (\$97.95 + GST).

Students who will be taking both ECON 101 and 102 (this term or in a subsequent term) may want to get the combined *Economics: Canada in the Global Environment* which has both *Microeconomics (ECON 101)* and *Macroeconomics (ECON 102)*. In that case, the UW Book Store also has the following editions of the same text package (buy only one):

ECON 101 and 102

- Option 3: *Economics (Hardcover) Textbook, Study Guide and MyEconLab* (\$198.95 + GST),
- Option 4: *Economics (Loose leaf) Binder Ready Textbook, Study Guide and MyEconLab* (\$149.95 + GST).

In any case, buy only one of the four options above. The textbook is packaged with a free access code to MyEconLab (including e-textbook), and a free printed study guide. If you would like to purchase MyEconLab separately (with or without the e-textbook), please contact the UW Book Store.

Supplemental Readings

“Regional Economic Outlook, Western Hemisphere, Chapter 1: The United States, Canada, and the World: Outlook and Policy Challenges” *World Economic and Financial Surveys*, pg 6-11. International Monetary Fund, Washington, D.C. The publication is available at <http://www.imf.org/external/pubs/ft/reo/2014/whd/eng/pdf/wreo0414.pdf>

Note: Lecture slides presented in class will be posted on LEARN after class. Exercises and multiple choice questions seen in class will also be posted on LEARN. <http://learn.uwaterloo.ca>

Assessment

The course grade will be based on two midterm exams and a final examination which will be held during the Official Examination Schedule. For the exams, you will be held responsible for material covered in:

(i) the relevant chapters of PB’s textbook, (ii) the lecture notes (iii) in-class exercises.

Grades for this course will be based on the following requirements:

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|---|---------------------|
| First mid-term exam (Chapters 1, 3, 20, 21, 23) | 25 percent of grade |
| Second mid-term exam (Chapters 24, 25, 26, 27, 28) | 25 percent of grade |
| Final exam (Chapters 1, 2, 3, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31) | 50 percent of grade |

The midterm tests will be taken outside of class time. The format of both midterm and final exams will be multiple choice questions. Midterm marks will be posted on LEARN.

The final exam period for the Fall Term 2014 is December. Students are expected to be available during this time. Travel plans are not acceptable grounds for granting an alternative final examination time. The exact date and time for the final exam for this class will be determined by the Registrar’s Office. The exam schedule is posted online, will be announced in class, and posted on LEARN. <http://uwaterloo.ca/registrar/final-examinations/examination-regulations-and-related-matters>.

Examination Policy

Missing a Midterm Due to Illness During the Term

The midterm exam schedule has been set and will not be changed for whatever reason. Missing a midterm will automatically result in a grade of zero for that midterm. If the illness can be documented with a UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.

Missing the Final Exam Due to Illness

Missing the final exam will result in a grade of zero for the final exam. Please carefully read the Economics Department policy on deferred final exams for instructions. No deferred final exam will be provided for students who missed all the exams in this course.

Submission of Exam Papers

Exam papers must be submitted in whole and on time in the exam room. Exam papers (i) not received at all (ii) not submitted on time (iii) submitted with missing pages (iiii) submitted elsewhere - with the exception of students

with permission to write in the AS Office - will receive a grade of zero for whatever reason. It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their sections.

Policies and Expectations

Attendance Policy

Students are responsible for all material presented in the scheduled lecture periods, regardless whether they choose to attend lectures or not. Punctuality is required from all students attending class.

Readings

Students are expected to do the assigned reading before class.

Fee-Arranged Issues

Students are responsible for administrative matters concerning their course registration including fee arrangements with the Registrar's Office. No make-up work or other remedies will be given for loss of access to LEARN and academic consequences arising from administrative issues with the Registrar's Office.

Electronic Device Policy

All audible ringers on all devices during class must be turned off. Photographic devices are not permitted in class.

Classroom Protocols

I expect the highest level of courtesy and professional behavior from every student. Eating in class will not be tolerated, as well as private conversations. If you have coffee, water, etc., please dispose of your garbage when you leave the classroom.

Tentative Course Schedule

A. THE ECONOMIC WAY OF THINKING

I. September 9

Introduction and Overview. What is Economics?

No precept.

II. September 11

What is Economics?

Read before class: PB, Chapter 1 What is Economics?, pg. 1-11 and PB Appendix: Graphs in Economics, pg. 13-26

B. MEASURING ECONOMIC ACTIVITY, UNEMPLOYMENT, AND INFLATION

III. September 16

GDP and Economic Growth

Read before class: PB, Chapter 20: Measuring GDP and Economic Growth, pg. 468-481

IV. September 18

Unemployment

Read before class: PB, Chapter 21: Monitoring Jobs and Inflation, pg. 491-499

V. September 23

Inflation

Read before class: PB, Chapter 21: Monitoring Jobs and Inflation, pg. 500-508

VI. September 25

Economic Growth, and Review: GDP, Unemployment and Inflation

Read before class: PB, Chapter 22: Economic Growth, pg. 517-522

C. ECONOMIC MODELS

VII. September 30

Demand and Supply

Read before class: PB, Chapter 3: Demand and Supply, pg. 55-65

VIII. October 2

Demand and Supply

Read before class: PB, Chapter 3: Demand and Supply, pg. 66-78

IX. October 7

Finance, Saving and Investment

Read before class: PB, Chapter 23: Finance, Saving and Investment, pg. 543-554

X. October 9

Finance, Saving and Investment, and Review: Demand and Supply, Saving and Investment

Read before class: PB, Chapter 23: Finance, Saving and Investment, pg. 555-562

XI October 10, 4:30pm-6:00pm

Midterm 1

XII. October 14

What is Money?

Read before class: PB, Chapter 24: Money, the Price Level, and Inflation, pg. 567-577

XIII. October 16

What is Money?

Read before class: PB, Chapter 24: Money, the Price Level, and Inflation, pg. 578-585

XIV. October 21

The Exchange Rate and the Balance of Payments

Read before class: PB, Chapter 25: The Exchange Rate and the Balance of Payments, pg. 593- 603

XV. October 23

Exchange Rate Policy

Read before class: PB, Chapter 25: The Exchange Rate and the Balance of Payments, pg. 604- 614

XVI. October 28

Aggregate Supply and Aggregate Demand

Read before class: PB, Chapter 26: Aggregate Supply and Aggregate Demand, pg. 623- 631

XVII. October 30

Explaining Macroeconomic Trends and Fluctuations

Read before class: PB, Chapter 26: Aggregate Supply and Aggregate Demand, pg. 632- 642

XVIII. November 4

Aggregate Supply and Aggregate Demand, and Inflation Cycles

Read before class: PB, Chapter 28: Canadian Inflation, Unemployment, and Business Cycle, pg. 678-683

XIX. November 6

Real GDP with a Fixed Price Level

Read before class: PB, Chapter 27: Expenditure Multipliers: The Keynesian Model, pg. 648-655

XX November 7, 4:30pm-6:00pm

Midterm 2

XXI. November 11

The Multiplier

Read before class: PB, Chapter 27: Expenditure Multipliers: The Keynesian Model, pg. 656-667

XXII. November 13

The Algebra of the Keynesian Model, and Review: The Keynesian Model,

Read before class: PB, Chapter 27: Expenditure Multipliers: The Keynesian Model, Mathematical Note, pg. 668-671

D. ECONOMIC POLICY

XXIII. November 18

Fiscal Policy

Read before class: PB, Chapter 29: Fiscal Policy, pg. 704-722

XXIV. November 20

Monetary Policy

Read before class: PB, Chapter 30: Monetary Policy, pg. 728-743 – Omit: The Taylor Rule

XXV. November 25

International Trade Policy

Read before class: PB, Chapter 31: International Trade Policy, pg. 751-768

XXVI. November 27

Review and conclusions

No precept.

XXVII. Final exam. Time and place TBA.

Institutional-Required Statements for Undergraduate Course Outlines

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

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.

Academic Integrity

In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the UWaterloo Academic Integrity Webpage (<https://uwaterloo.ca/academic-integrity/>) and the Arts Academic Integrity Office Webpage (<http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility>) for more information.

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, including writing exams in a section that you are not registered in, 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. For typical penalties check Guidelines for the Assessment of Penalties found at <http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.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. In addition, read the Student Grievance Process for the Faculty of Arts found at <https://uwaterloo.ca/arts/current-undergraduates/student-support/student-grievances-faculty-arts-processes>.

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.

Other sources of information for students

Academic integrity (Arts) Academic Integrity Office (uWaterloo)

Accommodation for Students with Disabilities

The AccessAbility Services office, located in Needles Hall Room 1132, 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 AS office at the beginning of each academic term.