University of Waterloo
Department of Economics
Econ 302 (Section 001): Macroeconomic Theory 2
Spring 2016

Instructor: Nafeez Fatima
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E-mail Address: n2fatima@uwaterloo.ca
Office Hours: Mondays and Wednesdays from 5.30 pm to 7.00 pm
(other times by appointment only)
Lecture Hours and Location: Mondays and Wednesdays from 1.00 pm to 2.20 pm in RCH 112

Course Objectives:
This is the second course in macroeconomics theory sequence and provides an extension of the tools developed in Macroeconomic theory 1. The objective of this course is to present a full coverage of modern macroeconomic theories and develop basic models to analyze both short run and long run phenomena in a closed 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 economics 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. Topics will include the neoclassical growth models, real business cycles models, government spending and government debt, consumption, investment, models involving money and issues related to inflation. After completion of this course students will learn how these theoretical frameworks can be used to understand and interpret actual macroeconomic events.

**Prerequisites:**
Econ 202 & Econ 211. For Mathematics students in place of Econ 211, one of Math 115, 106/125, 136, 146 and one of Math 118, 119, 128, 138, 148

**Required Textbook:**
Note: US edition of this textbook is also available.

**Recommended Textbook:**

**Resources:**
Course related materials including lecture notes are posted on Learn at: 1165 ECON 302 – Spring 2016
It is highly recommended that students attend the lectures and read the textbook. Lecture notes are provided as a supplement to the textbook. The content of the exams will be announced in class and on Learn. Students are responsible for visiting this site frequently.
**Course Evaluation:**
Student evaluation for this course will consist of two in-class midterm exams and a final exam. The exams will include both multiple choice questions and short questions. The rooms assigned for the midterm exams will be announced later in class and on Learn. Final exam will be comprehensive; it will include all materials covered in this course. The final exam date will be announced by the Registrar’s office. The final exam period for Fall 2016 term is from April 8 to April 23. Students are expected to be available during this time. An alternative final exam time is not allowed on the ground of travel plans.

**The Exam Schedule and Mark Break down:**

<table>
<thead>
<tr>
<th>Exams</th>
<th>Date</th>
<th>Time</th>
<th>Syllabus</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm 1</td>
<td>June 8, 2016</td>
<td>In class Exam</td>
<td>Chapters 1-5 (Parts 1 &amp; 2)</td>
<td>25%</td>
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<tr>
<td>Midterm 2</td>
<td>July 11, 2016</td>
<td>In class Exam</td>
<td>Chapters 6-10 (Parts 3 &amp; 4)</td>
<td>25%</td>
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<tr>
<td>Final</td>
<td>TBA</td>
<td>TBA</td>
<td>Comprehensive</td>
<td>50%</td>
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**Policy for Missed Exams:**
No make-up midterm exam 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.
Policy for Missed Final Exam:
For detailed instruction regarding missed final exam, visit the following webpage: https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy

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

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 Learn. 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.

Topics covered:

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

Part 1: Introduction

Chapter 1: Thinking About Macroeconomics
Chapter 2: National-Income Accounting: Gross Domestic Product and the Price Level

Part 2: Economic Growth

Chapter 3: Introduction to Economic Growth (Appendix included)
Chapter 4: Working with the Solow Growth Model
Chapter 5: Conditional Convergence and Long-Run Economic Growth (appendix included)
History of Modern Macroeconomics and the Current Global Financial Crisis (from other sources)
Midterm 1 – June 8 – Chapters 1, 2, 3, 4 & 5 (Parts 1 & 2)

Part 3: Economic Fluctuations
Chapter 6: Markets, Prices, Supply, and Demand
Chapter 7: Consumption, Saving, and Investment
Chapter 8: An Equilibrium Business-Cycle Model
Chapter 9: Capital Utilization and Unemployment

Part 4: Money and Prices
Chapter 10: The Demand for Money and the Price Level
Chapter 11: Inflation, Money Growth, and Interest Rates

Midterm 2 – July 11 – Chapters 6, 7, 8, 9 & 10 (Parts 3 & 4)

Topic 5: Government Sector
Chapter 12: Government Expenditure
Chapter 13: Taxes
Chapter 14: Government Debt (time permitting)

Final Exam – TBA – Comprehensive (all topics discussed in class are included)
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Lecture Topics and Related Readings</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>May 2</td>
<td>The History of Modern Macroeconomics, Thinking About Macroeconomics (Chapter 1) &amp; National-Income</td>
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<tr>
<td></td>
<td>May 4</td>
<td>Accounting: Gross Domestic Product and the Price Level (Chapter 2)</td>
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<tr>
<td>2</td>
<td>May 9</td>
<td>National-Income Accounting: Gross Domestic Product and the Price Level (Chapter 2) &amp; Introduction to</td>
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<td>May 11</td>
<td>Economic Growth (Chapter 3)</td>
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<tr>
<td>3</td>
<td>May 16</td>
<td>Introduction to Economic Growth (Chapter 3) &amp; Working with the Solow Growth Model (Chapter 4)</td>
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<td>May 18</td>
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<td>4</td>
<td>May 23 (</td>
<td>Working with the Solow Growth Model (Chapter 4) &amp; Conditional Convergence and Long-Run Economic</td>
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<td>May 25</td>
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<td>5</td>
<td>May 30</td>
<td>Conditional Convergence and Long-Run Economic Growth (Chapter 5), The current Global Financial</td>
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<td>June 1</td>
<td>Crisis &amp; Markets, Prices, Supply, and Demand (Chapter 6) &amp; Review for Midterm Exam 1</td>
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<td>6</td>
<td>June 6</td>
<td>Markets, Prices, Supply, and Demand (Chapter 6) &amp; Midterm 1</td>
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<td>June 8</td>
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<td>7</td>
<td>June 13</td>
<td>Consumption, Saving, and Investment (Chapter 7)</td>
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<td>June 15</td>
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<td>Week</td>
<td>Dates</td>
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<td>8</td>
<td>June 20</td>
<td>An Equilibrium Business-Cycle Model (Chapter 8)</td>
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<td>June 22</td>
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<td>9</td>
<td>June 27</td>
<td>Capital Utilization and Unemployment (Chapter 9) &amp; The Demand for Money and the Price Level (Chapter 10)</td>
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<td>June 29</td>
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<td>10</td>
<td>July 4</td>
<td>Inflation, Money Growth, and Interest Rates (Chapter 11)</td>
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<td>July 6</td>
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<td>11</td>
<td>July 11</td>
<td>Inflation, Money Growth, and Interest Rates (Chapter 11) &amp; <strong>Midterm 2</strong></td>
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<td>July 13</td>
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<td>12</td>
<td>July 18</td>
<td>Government Expenditure (Chapter 12) &amp; Taxes (Chapter 13)</td>
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<td>July 20</td>
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<tr>
<td>13</td>
<td>July 25</td>
<td>Taxes (Chapter 13) &amp; Review for Final Exam</td>
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**Relevant Journal Articles: (time permitting - will be discussed in class after each topic)**

1. **Economic Growth:**

2. Economic Fluctuations

3. Money, Inflation and Interest rate:
Hall R. (2010). "Why Does the Economy Fall to Pieces after a Financial Crisis?" *Journal of Economic Perspectives* 24: 3-20

4. Government Sector:

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 302 (Section 001) on the subject line and include your name and student ID number.**
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.

Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009:

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.

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 categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71)

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 (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70), Section 4.

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 (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72).

Other sources of information for students:
Academic Integrity website (Arts)
https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour
Academic Integrity Office (UWaterloo)
https://uwaterloo.ca/academic-integrity/
Note for students with disabilities: The AccessAbility Services office (https://uwaterloo.ca/disability-services), located on the first floor of the Needles Hall extension, 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.