

ECONOMICS 402
MACROECONOMIC THEORY 3
Department of Economics
University of Waterloo
Fall 2014

Meetings

- **Lecture time:** Monday and Wednesday, 11:30-12:50
- **Lecture location:** EV3-4412

Instructor information

- **Instructor:** Francisco M. Gonzalez
- **Office:** Hagey Hall 130
- **Office hours:** Monday and Wednesday 13:00 – 14:00
- **Phone:** 32136
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Course description

This is a fourth-year course in macroeconomic theory for honours economics students. Its main purpose is to provide students with the methodological principles that underlie modern analyses of the macro-economy, and to prepare students for graduate level macroeconomic theory courses.

Textbook

Williamson, Stephen (2012): Macroeconomics, Fourth Canadian Edition, Pearson Education Canada.

Evaluation

Student performance will be evaluated through a collection of assignments, a midterm exam and a final exam, with the following weights:

- Assignments: 20%
- Midterm exam: 40%
- Final exam: 40%

Students are expected to work in groups (about 3 students per group) on all assignments. Detailed information about assignments will be provided in class. The midterm exam will be held on October 27 and it will take place in the class period and the room classes are held. The final exam will be scheduled by the Registrar's Office.

There will be no make-up tests. If a student misses a test and she/he can provide credible documentation for missing the test, the weight on the test will be transferred to the final exam.

Course outline

The course is organized into three parts. The first part considers the principles of dynamic general equilibrium theory that underlie modern economic analyses of the macro-economy. The second part focuses on the equilibrium analysis of labor markets. The third part discusses the implications of macroeconomic theory for government policy.

Part 1. Principles of dynamic general equilibrium theory

- Williamson (chapters 4, 5, 9, 11).

Part 2. Search-theoretic models of the labor market

- Williamson (chapter 6).
- Juhn, C. and S. Potter (2006): "Changes in labor force participation in the United States", *Journal of Economic Perspectives*, Summer, pages 27-46.

Part 3. Economic theory, evidence, and policy

- Williamson (chapters 7, 9, 10, 11 and 18).
- Barro, R. (1998): "Notes on growth accounting", *Journal of Economic Growth*, June, pages 119-137.
- Auerbach, A.J., J. Gokhale and L.J. Kotlikoff (1994): "Generational accounting: a meaningful way to evaluate fiscal policy", *Journal of Economic Perspectives*, Winter, pages 73-94.
- Chari V.V. and P.J. Kehoe (2006): "Modern macroeconomics in practice: how theory is shaping policy", *Journal of Economic Perspectives*, Fall, pages 3-28.
- Alvaredo, F., A.B. Atkinson, T. Piketty and E. Saez (2013): "The top 1 percent in international and historical perspective", *Journal of Economic Perspectives*, Summer, pages 3-20.

Weekly schedule

1. Sept. 8, Sept. 10: static general equilibrium
2. Sept. 15, Sept. 17: intertemporal choice
3. Sept. 22, Sept. 24: macroeconomic models with overlapping generations
4. Sept. 29, Oct. 1: economic growth
5. Oct. 6, Oct. 8: labor markets
6. Oct. 13, Oct. 15:
 - Oct. 13: THANKSGIVING DAY
 - Oct. 15: search theory
7. Oct. 20, Oct. 22: macroeconomic models of the labor market
8. Oct. 27, Oct. 29:
 - Oct. 27: MIDTERM EXAM
 - Oct. 29: growth accounting
9. Nov. 3, Nov. 5: government spending, taxes and debt
10. Nov. 10, Nov. 12: social security
11. Nov. 17, Nov. 19: generational accounting
12. Nov. 24, Nov. 26: time-consistent economic policy
13. Dec. 1: inequality and taxation

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. See the Uwaterloo Academic Integrity Webpage (uwaterloo.ca/academic-integrity/) and the Arts Academic Integrity Office Webpage (arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

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 (uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70). When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

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. For information on categories of offenses and types of penalties, students should refer to Policy 71, Student Discipline (www.adm.uwaterloo.ca/infosec/Policies/policy71.htm). For typical penalties check Guidelines for the Assessment of Penalties (www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm).

Appeals

A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to Policy 72, Student Appeals (www.adm.uwaterloo.ca/infosec/Policies/policy72.htm).

Note for students with disabilities

The Office for Persons with Disabilities (OPD), 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 OPD at the beginning of each academic term.