

**University of Waterloo**  
**Department of Economics**  
**ECON 496**  
**Macroeconomics: Problems and Policies**  
**Winter 2021**

**Instructor Information**

Instructor: Francisco M. Gonzalez

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I will hold synchronous office hours every week at 11:00 to 12:00 on Thursday via Webex. I will schedule additional office hours if there is excess demand.

**Course Description**

Calendar description: This course provides students with the methodological principles that underlie modern analyses of the macro-economy, and prepares students for graduate-level macroeconomic theory courses.

The Winter 2021 iteration of ECON 496 focuses on economic crises.

**Course Requirements and Assessment**

Student performance will be evaluated based on 10 assignments. There are 5 individual assignments (A1-A5) and 5 group assignments (G1-G5).

<b>Assessment</b>	<b>Due date</b>	<b>Weighting</b>
<b>A1</b>	Jan. 18	10%
<b>A2</b>	Jan. 29	10%
<b>A3</b>	Feb. 12	10%
<b>G1</b>	Feb. 26	5%
<b>G2</b>	March 5	5%
<b>G3</b>	March 12	5%
<b>A4</b>	March 19	20%
<b>G4</b>	March 26	10%
<b>G5</b>	April 1	5%
<b>A5</b>	April 14	20%
<b>Total</b>		100%

Detailed information about each assignment is found in LEARN under "Assignments".

## Course Outline

### 1. Economic fluctuations: shocks and amplifying mechanisms

#### 1.1 Labor market frictions

Shimer, Robert: "The cyclical behavior of equilibrium unemployment and vacancies," *American Economic Review*, March 2005, 25-49.

#### 1.2 Financial frictions

Quadrini, Vincenzo: "Financial frictions in macroeconomic fluctuations," *Federal Reserve Bank of Richmond Economic Quarterly*, Third Quarter 2011, 209-254.

### 2. Credit crunch

Holmström, Bengt and Jean Tirole: "Financial intermediation, loanable funds, and the real sector," *Quarterly Journal of Economics*, August 1997, 663-691.

### 3. Banking crises

Diamond, Douglas and Philip Dybvig: "Bank runs, liquidity, and deposit insurance," *Journal of Political Economy*, June 1983, 401-419.

Allen, Franklin and Douglas Gale: "Optimal financial crises," *Journal of Finance*, August 1998, 1245-1284.

### 4. The 2007–2009 financial crisis

Brunnermeier, Markus: "Deciphering the liquidity and credit crunch 2007-2008," *Journal of Economic Perspectives*, Winter 2009, 77-100.

### 5. Money markets

Holmström, Bengt: "Understanding the role of debt in the financial system," January 2015, BIS working paper no. 479.

### 6. The COVID–19 crisis

Brotherhood, Luiz, Philipp Kircher, Cezar Santos and Michèle Tertilt: "The importance of testing and age-specific policies during the COVID-19 pandemic," CEPR, VoxEU, June 12, 2020. (<https://voxeu.org/article/effectiveness-age-specific-policies-and-testing-covid-19>)

Chetty, Raj, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team: “The economic impacts of COVID-19: evidence from a new public database built using private sector data,” Harvard University, November 2020.

Week	Date	Topic
1	Jan. 11 – Jan. 15	unemployment fluctuations
2	Jan. 18 – Jan. 22	debt contracts
3	Jan. 25 – Jan. 29	credit rationing
4	Feb. 1 – Feb. 5	demand for liquidity
5	Feb. 8 – Feb. 12	credit crunch
6	Feb. 15 – Feb. 19	READING WEEK
7	Feb. 22 – Feb. 26	self-fulfilling banking crises
8	March 1 – March 5	banking crises and fundamentals
9	March 8 – March 12	2007–2009 financial crisis I
10	March 15 – March 16	ADDITIONAL SCHEDULED PAUSE
	March 17 – March 19	2007–2009 financial crisis II
11	March 22 – March 26	money markets
12	March 29 – April 1	COVID–19 crisis I
	April 2	GOOD FRIDAY
13	April 5 – April 9	COVID–19 crisis II
14	April 12 – April 14	conclusion

### **Late Work**

Late submission of assignments is not accepted.

### **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 community are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity webpage](#) and the [Arts Academic Integrity webpage](#) for more information.

## **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](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

## **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](#). When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

## **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](#).

## **Note for Students with Disabilities**

The [AccessAbility Services](#) office, located on the first floor of the Needles Hall extension (NH 1401), 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.

## **If Using Turnitin in your Course**

**Turnitin.com:** Text matching software (Turnitin®) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. Students will be given an option if they do not want to have their assignment screened by Turnitin®. In the first week of the term, details will be provided about arrangements and alternatives for the use of Turnitin® in this course.

*Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin®. See [guidelines for instructors](#) for more information.*

## **Faculty of Arts-required statements for undergraduate course outlines**

### **Cross-listed Course (if applicable)**

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.

## **Mental Health Support**

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports if they are needed.

### **On Campus**

- Counselling Services: [counselling.services@uwaterloo.ca](mailto:counselling.services@uwaterloo.ca) / 519-888-4567 ext 32655
- [MATES](#): one-to-one peer support program offered by Federation of Students (FEDS) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre

### **Off campus, 24/7**

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-433 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online at the Faculty of ARTS [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe](#) app to your phone to quickly access mental health support information

## **Territorial Acknowledgement**

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabeg and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.