

Economics 303 (L02) Intermediate Economic Theory – Macroeconomics I

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Lecture Location: SA106
Lecture Days/Time: TR 0930-1045

Office: SS342
Office Hours: TR 1100-1200

Winter 2020

Course Description:

This is the first of the two intermediate-level macro theory courses (the second being ECON 359) required to major in Economics. This course introduces a basic macroeconomic model known as the IS-LM-AD-AS model. The model has numerous applications, some of which we shall discuss in this course. We will also use the model to study the effects of various macroeconomic shocks and policies on the economy.

Course Learning Outcomes:

After completing this course, students will know

- what the subject matter of macroeconomics is
- what the key macroeconomic variables are and how they are measured
- the conditions for equilibrium in the goods market (the IS curve) and the money market (the LM curve)
- AD-AS model of the medium run
 - how the joint equilibrium in the goods and money markets, together with an exogenously changing general price level, gives rise to the aggregate demand (AD) curve
 - the conditions for equilibrium in the labor market and how the labor-market equilibrium is related to the aggregate-supply (AS) curve
 - the factors that affect the joint equilibrium in the goods, money and labor markets (i.e. in the IS-LM-AD-AS model)
- how the IS-LM-AD-AS model for an open economy (the Mundell-Fleming model) differs from the one for a closed economy
- how to derive the Phillips Curve from the aggregate-supply curve and understand the policy implications of a negatively sloping Phillips curve
- how inflation and money growth are related in both the short run and the long run
- how to examine the possible effects of monetary, fiscal and exchange-rate policies using the IS-LM-AD-AS model
- what role expectations play in the IS-LM-AD-AS model
- the various types of economic crisis and how to analyze them within the framework of the IS-LM-AD-AS model

Course Outline:

1. The Goods Market (chapter 3)
2. Financial Markets (chapter 4)
3. Goods and Financial Markets: The IS-LM Model (chapter 5)
4. Openness in Goods and Financial Markets (chapter 6)
5. The Goods Market in an Open Economy (chapter 7)
6. Open-Economy IS-LM Model (chapter 8 and instructor's notes)
7. The Labor Market (chapter 9)
8. The Basic AD-AS Model (chapter 10)
9. The AD-AS Model: Liquidity Trap and Supply Shocks (chapter 11)
10. The Phillips Curve (chapter 12)
11. Inflation, Economic Growth and Money Growth (chapter 13)

Prerequisites/corequisites:

Mathematics 30-1 or Pure Mathematics 30 or equivalent, and ECON 201 and 203.

Required Textbook(s):

Blanchard, Olivier and David Johnson. 2015. *Macroeconomics*, fifth Canadian edition. Toronto: Pearson Canada Inc.

Books on Reserve:

Blanchard, Olivier and David Johnson. 2015. *Macroeconomics*, fifth Canadian edition. Toronto: Pearson Canada Inc.

Additional Required Readings:

These readings will be provided by the instructor on D2L.

1. Spilimbergo, Antonio, Steve Symansky and Martin Schindler. 2009. "Fiscal Multipliers." IMF Staff Position Note, SPN/09/11. Washington D.C., USA: The International Monetary Fund.
2. Bank of Canada. 2011. "Canada's Money Supply." Bank of Canada Backgrounder.
3. Romer, David. 2000. "Keynesian Macroeconomics without the LM Curve." *Journal of Economic Perspectives*, 14:2, pp. 149--169.
4. Bank of Canada. 2012. "The Exchange Rate." Bank of Canada Backgrounder.
5. Wikipedia (2019). "Dutch Disease."
6. Powell, James. 2005. "A History of the Canadian Dollar." Bank of Canada, pp. 66-70.
7. Patterson, Martha, Myriam Hazel and Dylan Saunders. 2019. "Annual Review of the Labour Market." *Labour Statistics: Research Papers*, Catalogue No. 75-004-M-2019002, Statistics Canada.
8. Wikipedia. 2019. "Misery Index (Economics)."
9. *The Economist*. 2019. "Economic and Financial Indicators." April 13th, p. 84.
10. Blinder, Alan S. 2018. "Is the Phillips Curve Dead? And Other Questions for the Fed." *Wall Street Journal*, Eastern Edition, New York, N.Y., 4 May 2018, A.15.
11. *Wall Street Journal*. 2018. "Was the Phillips Curve Ever a Reliable Tool?" *Wall Street Journal*, Eastern Edition, Letters to the Editor, New York, N.Y., 10 May 2018, A.16.
12. Foy, Morgan. 2019. "Is the Phillips Curve Still a Useful Guide for Policymakers?" *The NBER Digest* (September), National Bureau of Economic Research, p. 4.

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

Tutorials:

Students are expected to attend the weekly tutorial section to which they have been assigned. During the tutorials, the TA will discuss pre-assigned questions and additional material relevant to the course that is not covered in lectures.

Grade Determination and Final Examination Details:

1. In-class quizzes (using Top Hat or D2L):	10%
2. Tutorial participation:	5%
3. Readings:	5%
4. Midterm 1:	20%
5. Midterm 2:	20%
6. Final:	40 %
Total:	100%

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

If a student's letter grade on the final exam exceeds their midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final exam. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours.

The final examination will be an open-book, take-home exam. The exam will be available on D2L 24 hours before the end of the Registrar's scheduled final exam time. Students will hand in their exam in pdf format on D2L prior to the end of the scheduled completion time of their final exam using DropBox. If a student cannot write their final exam during this interval, they need to apply for a deferred exam at www.ucalgary.ca/registrar/exams/deferred_final.

Under no circumstance will this be accommodated by the Department.

Tests and exams **WILL NOT** involve multiple choice questions.

Programmable calculators, cellphones, textbooks, course notes, and other electronic devices will not be allowed during the writing of tests or final examinations. Students are reminded that simply being able to access their cellphone during an exam is academic misconduct.

The exact date for the in-class midterm will be announced at least one week in advance.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades and Intellectual Honesty:

For Reappraisal of Graded Term Work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For Reappraisal of Final Grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Statement of Intellectual Honesty, see Calendar K.4

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

Plagiarism and Other Academic Misconduct, see Calendar K.5

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

Academic Accommodations:

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf.

Internet and Electronic Communication Device information:

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note taking only unless otherwise authorized by the instructor.

Copyright Legislation:

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf. Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: www.fasaucalgary.ca.

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580, or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.

Student Support and Resources:

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds' Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

Notes:

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.

Aamir Rafique Hashmi
November 23rd 2019