



Intermediate Macroeconomic II

Economics 2221B-001/002

Winter 2017

WEBSITE: OWL

INSTRUCTOR: Jacob Short

Office: Room 4033, SSC Phone: 661 2111 x.85302

UNDERGRADUATE ENQUIRIES: 661 3507

CONTACTING THE INSTRUCTOR AND OFFICE HOURS

The instructor can be reached by email at jacob.short@uwo.ca or in his office (4033 SSC) during office hours. **Office hours will be held on Wednesday 1:30-3:30pm** or by appointment. Students are encouraged to attend office hours throughout the term to discuss course related issues.

LECTURES

Lectures will be held:

Section 001: M 12:30-2:30pm, W 12:30-1:30pm **in room WL 258.**

Section 003: M 3:30-4:30pm, W 3:30-5:30pm **in room UCC 41.**

COURSE DESCRIPTION

The goal of the course is to develop formal tools to perform quantitative macroeconomic analysis. We will discuss how important macroeconomic variables such as the total output produced in an economy, prices, and employment are measured in the data. We will establish key macroeconomic facts and use basic macroeconomic theories to analyze the facts observed in the data. We will study both short-run economic questions such as: what are the sources of business cycle fluctuations and long-run issues such as: why do economies grow and why are there large income differences among countries. The course makes extensive use of differential calculus.

This is a theory course. The main objective is to understand the basic models used in macroeconomics and the ways they can be used for applied macroeconomic analysis and for policy making. But we will often consider the underlying empirical issues and puzzles, which lead us to formulate particular models. This should help understanding of what is involved in economic modeling.

The recommended text is **Williamson, Stephen D. Macroeconomics, 4th Canadian edition, Pearson Addison Wesley**. The text and study guide package are available at the bookstore.

LEARNING OUTCOMES

Students will be able to identify the determinants of various macroeconomic aggregates such as output, unemployment, inflation, productivity and how these aggregates comove over the business cycle.

Students will be able to describe the main macroeconomic theories of short term fluctuations and long term growth in the economy.

Students will be able to apply the main macroeconomic theories in analysis of the determinants of business cycles and the implications for government intervention.

Students will be able to critically evaluate the consequences of basic macroeconomic policy options under differing economic conditions within a business cycle.

COURSE PREREQUISITES AND ANTIREQUISITES

The prerequisites for this course are Economics 2220A/B. The antirequisite is Economics 2153A/B.

The student is responsible for ensuring that all course prerequisites have been completed successfully, and that no antirequisite courses have been taken. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure spaces become available for students who require the course in question for graduation.

REGISTRATION

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://studentservices.uwo.ca/secure/index.cfm>. If you notice a problem, please contact your faculty academic counsellor right away.

TEXTBOOK

The recommended textbook is:

Williamson, Stephen, *Macroeconomics, 4th Canadian Edition*, Pearson Addison Wesley.

COURSE REQUIREMENTS AND STUDENT EVALUATION

Student evaluation will be based on the results obtained in homework assignments, unannounced quizzes in class, two midterm tests, and a final exam. The weight given to each assignment is the following:

	Weight
Homework assignments (best 3 out of 4)	25%
In-class Quizzes	15%
Midterm Exam	30%
Final Exam	30%

All the tests are cumulative (with emphasis on the material covered since the last examination). **If a student has a conflict with an exam, they must notify the instructor a minimum of one week in advance of the exam in order to take any make-up exam. In case a student misses the midterm or a quiz due to sickness the student must present an official document justifying the absence and the weight of that exam or quiz will be added to the final exam or remaining quizzes, respectively (i.e. if you miss the midterm the final exam will now account for 60% of your grade). In case of lack of justification for the absence a grade of zero will be attributed.**

Midterm Exam will be Wednesday, February 15th, 2017.

The final exam will be held during the final exam period in a room to be announced.

Homework will be assigned approximately every three weeks – a total of 4 problem sets – with a specific deadline (usually a week). The homework will be graded and returned to the student the following week. The homework will have approximately the same structure and length as an examination so that the students become familiar with the type of questions and structure of an exam. Note that the homework has a significant weight on the final grade. **All homework must be returned by the deadline. Homework received after the deadline will not be accepted and a grade of zero will be attributed.** For the final course grade computation the best 3 out of 4 homework grades will be used.

There will be a number of unannounced quizzes in class. They will test both material covered in class and essential background knowledge.

You are responsible for all content covered in lectures and in the assigned readings. Some readings content may not be covered in lectures and some lecture content may not be in the readings.

COURSE OUTLINE

1. Dynamic Models (Brief Review)
 - Business Cycle Facts
 - An equilibrium model with investment
2. Dynamic Models
 - An equilibrium model with money
3. Business Cycles
 - Real business cycle theory
 - Other explanations – Keynesian Models
4. The commitment problem in monetary policy
 - Inflation, the Phillips Curve
 - Central bank commitment, time-consistency
5. International trade and finance
 - A two-good model of a static small open economy
 - A two-period model of a dynamic small open economy
 - Current account and the twin deficit
6. Exchange rate
 - Exchange rate and purchasing power parity
 - Flexible and fixed exchange rates
 - Monetary small open economy model under different exchange rate regimes
7. Money, Inflation and Banking
 - What is money? Why use money?
 - Long-run inflation, Money Growth and Real Growth
 - Banking: financial intermediaries, the Diamond-Dybvig model and bank failure
8. Unemployment
9. Exogenous and Endogenous Growth