Macroeconomic Theory
ECON 330D (D1/D2) – Section 001

Professor Barczyk

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Teaching Assistants:

Email:
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Lecture time and location:
Fall, 2019: 4:05pm-5:25pm, M/W, Campus1 MTL (101)
Winter, 2020: 4:05pm-5:25pm, M/W, Maass bldg. (112)

Important dates:
Midterm I: Oct. 16 (20%)
Midterm II: Jan. 13 (20%)
Midterm III: March 2 (20%)
Final: Exam period (40%)

Course Description

ECON 330D is a two-term course in macroeconomics. 330D1 is the first term of 330D and is a prerequisite for 330D2, the second term of 330D. No credit will be given for ECON 330D unless both ECON 330D1 and ECON 330D2 are successfully completed in consecutive terms. The first term focuses on the fundamentals of macroeconomic models. Particular attention will be paid to developing a one-period static model of the macroeconomy, a two-period dynamic model of the macroeconomy, a dynamic model of economic growth, and a static search model of unemployment. Each time we develop a model we will use it to study issues focusing on economic policy. The second part of the course will build on these fundamental building blocks to develop more complete models of the macroeconomy.

Prerequisites

ECON 230 or ECON 250. If a student has already taken ECON 208 and ECON 209, it may be concurrently taken with ECON 230 with the **permission** of the instructor. This will be **enforced** after the first week of classes and students without the necessary pre-requisites will be automatically removed. Students must register for both ECON 330D1 and ECON 330D2. No credit will be given for this course unless both ECON 330D1 and ECON 330D2 are successfully completed in consecutive terms. In terms of mathematics, I will use calculus very sparingly and only if necessary. The use of calculus, therefore, should definitely not worry you. But, realize that the kind of reasoning that we will use throughout the course follows mathematical logic and is often more challenging than when simply using calculus. As a matter of fact, it is exactly that kind of reasoning that I hope you will learn from this course. Because this type of reasoning is new to most of you, I encourage you strongly to engage with the material throughout the course, instead of cramming and memorizing before exams.

Course Material

The assigned textbook is *Macroeconomics* (Fifth Canadian Edition) by Stephen Williamson, published by Pearson Education Canada. Some concepts presented in class are not readily available in the assigned textbook. If you have another edition of this book feel free to use it. **But, you are responsible to know the discrepancies between editions. I do not know these!**

Grading and exams

Three midterm examinations and one final exam in the final examination period of the winter semester 2020. Each midterm carries a weight of 20% and the final exam accounts for 40% of your grade. If you miss a midterm you must **hand me** an original physician note **within 7 days** of the date of the exam which explains the medical reason for your absence. Make a photocopy of it and keep it until the end of the course. Otherwise it will be considered unexcused and you get 0. No valid medical reason also means 0. Midterm exams cannot be rewritten. If you miss an exam for a valid medical reason the weight will be allocated to your final exam. If you walk into the examination room your exam will count. It is your responsibility to make sure that you are healthy enough to write the exam. If you discontinue the exam you cannot come back with a medical reason of why the exam should not count. There is no personalization for how your grade is calculated (e.g. re-weighting an exam since now you are doing better). In order to ensure fairness across the board, everybody is subject to the same grading scheme.

Regrading policy

If you believe that the TAs made a mistake in grading your exam, you must provide the TA who graded the particular question with a **written** appeal which clearly points out the mistake(s) you believe the TA made. You and the TA have to sign the appeal and date it. The TA will then regrade your **entire** exam (you could end up with a lower grade). If after the regrade you are still convinced that the TA is wrong, you have to provide the TA with a **second written** appeal which has to be signed and dated. At this point make photocopies of both signed and dated appeals and hand them to me. Leave the originals with the TA. Finally, you have to ensure that the appeals are done in a timely manner. Your first appeal has to take place during the first three (3) days following the date of when the exam was officially handed back.

Preparation for exams

You are primarily tested on the material covered during lectures and the assigned exercises. Attending lectures, taking good notes, and doing the exercises are thus excellent methods of preparation. Discussing the material with your peers can be very useful as well. I also encourage you to come by my office hours if you are having difficulties or you just want to exchange thoughts and ideas. Please talk to me in person instead of using email.

Course Outline

The following is an overview of what I expect to cover. The time we spend on certain issues may change in unforeseeable ways, and as a result, more or less may be covered than is presented in this overview.

Basics of macroeconomics

- What this course is about and how it differs

- The data of macroeconomics

- Microeconomic foundations of macroeconomics

One-period model of the macroeconomy

- A representative agent economy with production

- Competitive equilibrium

- Pareto efficiency

- Applications: government spending and taxation

Two-period model of the macroeconomy

- A representative agent economy with endowments and trade

- Saving and borrowing by households and the government

- Competitive equilibrium

- Ricardian equivalence: government deficits

- Pay-as-you-go social security (pensions)

Economic growth

- Infinitely many periods

- The Malthusian model: no role for technological advances

- The Solow model: growth based on exogenous technological advances

Business cycle theories

- Empirical regularities we are trying to explain

- Equilibrium models: the real business cycle model, the Keynesian coordination failure model, and a New Monetarist model

- What causes business cycles and what, if anything, can government policy do to stabilize these cycles

- A New Keynesian model: sticky prices and wages and their implications for economic policy

Unemployment

- A search model of unemployment

- Determinants of unemployment

- The effects of changes in government policy on the unemployment rate

Academic Integrity

McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offenses under the code of student conduct and disciplinary procedures (see http://www.mcgill.ca/integrity/ for more information).

L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site http://www.mcgill.ca/integrity).

Language of Submission:

In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded. This does not apply to courses in which acquiring proficiency in a language is one of the objectives.