Econ 2213 - Fall 2021 - Intermediate Macroeconomic Theory I
BAC 424 - 10:30-11:20am MWF

Instructor: Andrew Davis, andrew.davis@acadiau.ca

Office Hours: 10:30am-noon, Tuesdays and Thursdays, or by appointment, BAC 344.

Prerequisite: Econ 1013 and 1023 with a grade of C- or better. While Math 1613 is not a prereq and this course will try to avoid calculus as much as possible (though not completely), math will be used regularly. I will also introduce a little simulation and programming at one or two points, but a CS course is not required either.

Course Description: "Income and employment theory, monetary theory, open economy, economic fluctuations and growth." This is the dated description from the calendar - see below for more details. This course is designed to introduce you to fairly rigorous and modern macroeconomic analysis, and will cover long-run growth and shorter-term business cycle models with and without frictions in the open and closed economies.

Textbook: Garin, Lester, and Sims (GLS). Intermediate Macroeconomics, `https://www3.nd.edu/~esims1/GLS_may_2021.pdf`. This is a free ebook - and probably the best textbook out there. It can look slightly challenging at points, but we'll work through it. You can also consider Harford, The Undercover Economist Strikes Back. This is a very optional, very easy book that paints many of the ideas in the course in a very accessible way. It could help with the big picture, but is not going to help much with assignments/tests/exams.

Topics Covered: This serves as a rough plan of attack for the course. Progression will be determined in part by student interest and discussion. Parts of this will review material from ECON 1023, and we'll move faster in those areas.

Text (GLS)	Topic	Week
Ch. 1-3	Review and Introduction	1
Ch. 4-7	Empirics of long-run growth and the Solow model	2-4
*	Notes on endogenous growth and natural resources	4
Ch. 18-20	A neoclassical model of business cycles	5-6
Ch. 20-22	Limitations and implications of the neoclassical model	7
Ch. 23	The open economy neoclassical model	8
Ch. 24-27	A New Keynesian model of business cycles	9-11
Ch. 28-29	Monetary policy in the New Keynesian model	12
Ch. 30	The open economy New Keynesian model	13

I realize this looks like a lot of chapters, but that owes something to the nature of the textbook. For example, Ch.19 covers no new material, it simply does a bunch of examples applying the model

of Ch.18.

Why should you care about these topics? An answer requires some discussion of the goals of the intermediate macroeconomics sequence, which I view as follows in order of priority.

- To provide tools and frameworks to understand the economic world.

- To provide necessary preparation for surviving an elite graduate program, particularly in terms of mathematics and models.

- To familiarize students with economic data.

- To familiarize students with the history of macroeconomic thought.

Roughly speaking, we can divide the course into three parts: understanding the long-run wealth of different societies, understanding business cycles, and understanding how business cycles behave differently in open economies.

Why does long run growth matter? "Is there some action a government of India could take that would lead the Indian economy to grow like Indonesia's or Egypt's? If so, what exactly? If not, what is it about the 'nature of India' that makes it so? The consequences for human welfare involved in questions like these are simply staggering: once one starts to think about them, it is hard to think about anything else." Robert E. Lucas, "On the Mechanics of Economic Development", *Journal of Monetary Economics*, July 1988.

Lucas won the Nobel in economics in 1995 for his work on macroeconomics, and his quote reflects the paramount importance of understanding the wealth of nations. Why are some countries rich? Why are some countries not rich? Can we understand why, let alone do anything about it? How should we think about the role of capital, workers, and technology in understanding living standards?

Why do business cycles matter? "In the long run we are all dead." John M. Keynes, *A Tract on Monetary Reform*, 1923.

The American financial crisis is now a full ten years behind us. Keynes revolutionized macroeconomics to the point where 'Keynesian' remains a common phrase in newspapers as we talk about the crisis and subsequent recovery even today, typically associated with the idea that government should spend more in recessions to stabilize the economy. Is this true? What are the costs and benefits? Why do recessions and crises happen? How are central banks involved? Can we prevent or cure recessions and keep millions from painful, grinding unemployment?

Why is the open economy different? "Except in areas where national sovereignty is being given up it is not feasible to suggest that currencies should be [merged]..." Robert Mundell, "A Theory of Optimum Currency Areas", *The American Economic Review*, September 1961.

The last decade has seen a European financial crisis and constant debate around the monetary framework of Europe. Mundell, a Canadian, won the Nobel in 1999 for his work on open economy macroeconomics, and is often credited as the leading intellectual force behind the euro. Was the

euro a good idea? Should Canada join a currency union? How does opening our borders to trade impact the dynamics of and policy responses to recessions?

Grading:

- Assignments: 10% (typically six, all short)

- Midterm 1: 15%

- Midterm 2: 15%

- Midterm 3: 15%

- Final: 45%

- Class Participation: 3% (bonus, attendance is not participation)

Late assignments not accepted unless cleared in advance. Group work on assignments is accepted - pass in one copy per group, maximum of three per group. Missed assignments, midterms will have their weight added to the final exam. At the end of the course, if it's to your advantage, the weight of your lowest midterm will be automatically shifted to the final. Further, if your grade on the final exceeds the weighted average, you will receive the final grade directly, to a maximum of an A. An A+ requires exceptional performance through the semester, not just the final. Finally, attendance does not count as class participation - active participation only.

Note that Acadia has changed grading systems starting in Fall 2019, leaving it up to individual instructors to decide what letter grades mean. I view one of the key roles in a grading system as providing a clear understanding of what you've achieved and accomplished. This means both within Acadia, but also externally. The grade system below is, from my research, the most commonly adopted one in Canada, and hence what I will use for this course.

A+: 90%+	A: 85%-89%	A-: 80%-84%
B+: 77%-79%	B: 73%-76%	B-: 70%-72%
C+: 67%-69%	C: 63%-66%	C-: 60-62%
D+: 57-59%	D: 53-56%	D-: 50-52%
F: $\leq$50%		

Note that I no longer report numerical grades to the registrar. Your university record will only contain a letter grade.

Disabilities and Accessible Learning: If you are a student with documentation for accommodations who anticipates needing supports or accommodations, please contact Marissa McIsaac, Accessibility Resource Facilitator at 902-585-1520, disability.access@acadiau.ca or Emily Duffett, Accessibility Officer, 902-585-1823, disability.access@acadiau.ca. Accessible Learning Services is located in Rhodes Hall, rooms 111-115.

Academic Honesty: https://central.acadiau.ca/registrar/faculty_information/academic_integrity

Technology Policy: For those students who intend to bring and use technology in the classroom for non-academic reasons, I strongly encourage you to keep the welfare of your fellow students in mind. Academic literature studying the use of phones, tablets, and laptops in the classroom has found negative effects on students distracted by the technology of others. I reserve the right to prohibit technology when it is consistently putting costs onto others.

Important Dates:

> Sept. 8 - Fall courses begin.
> Sept. 17 - Last day to add/change course sections without a W.
> Oct. 1 - Midterm 1.
> Oct. 11 - Thanksgiving Day. No classes.
> Oct. 25-29 - Fall study break. No classes.
> Nov. 1 - Midterm 2.
> Nov. 11 - Remembrance Day. No classes.
> Nov. 12 - Last day to drop fall courses and receive a W.
> Nov. 22 - Midterm 3.
> Dec. 6 - End of classes.