

Econ 2213 - Fall 2018 - Intermediate Macroeconomic Theory I
BAC 206 - 10:30-11:30am

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Office Hours: 9:30-11:30, 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, math will be used regularly.

Course Description: “Income and employment theory, monetary theory, open economy, economic fluctuations and growth.”

Textbook: Mankiw and Scarth, *Macroeconomics*, 5th edition (strongly recommended).
Harford, *The Undercover Economist Strikes Back* (optional) - this is an easy book that paints many of the ideas in the course in a very accessible way.

Topics Covered: This serves as a rough plan of attack for the course. Progression will be determined in part by student interest and discussion.

Text	Module 1: Production and Living Standards	Week
Ch. 3	A basic production economy	1
Ch. 7	Capital and the Solow model	2-3
Ch. 8	Intro to endogenous growth	4
	Module 2: Money and Business Cycles	
Ch. 4	Basics of money	5
Ch. 9	Aggregate demand	6
Ch. 10	Building IS-LM (MP)	7-8
Ch. 11	Applying IS-LM	9
	Module 3: Open Economy Business Cycles	
Ch. 5	Basics of exchange rates	10
Ch. 12	Open economy IS-LM, policy and crises	11-13

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.

Module 1, Production and Living Standards: “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?

Module 2, Money and Business Cycles: “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?

Module 3, Open Economy Business Cycles: “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%
- Midterm 1: 15%

- Midterm 2: 15%
- Midterm 3: 15%
- Final: 45%
- Class Participation: 3%

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 (with valid reason) 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.

Disabilities and Accessible Learning: If you are a student with a documented disability who anticipates needing supports or accommodations, please contact Dr. Abu Kamara, Coordinator, Accessible Learning Services at 902-585-1291, abu.kamara@acadiau.ca or Marissa McIsaac, Accessibility Officer at 902-585-1520, disability.access@acadiau.ca. Accessible Learning Services is located in Rhodes Hall.

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.

Important Dates:

- Sept. 5 - Fall courses begin.
- Sept. 14 - Last day to add/change course sections without a W.
- Oct. 1 - Midterm 1.
- Oct. 8 - Thanksgiving Day. No classes.
- Oct. 29 - Midterm 2.
- Oct. 26 - Last day to drop fall courses and receive a W.
- Nov. 12 - Remembrance Day. No classes.
- Nov. 13-16 - Fall study break. No classes.
- Nov. 21 - Midterm 3.
- Dec. 5 - End of classes.