



**ECON\*2410.01**  
**Intermediate Macroeconomics**  
**Winter 2016**  
**0.50 Credit weight**

## General Course Information

**Instructor:** Angela Trimarchi Ext.53948  
*Email* atrimarc@uoguelph.ca  
*Office Location* MCKN 704  
*Office Hours* Tuesday, 10:00-12:00 p.m. Thursday, 11:00-12:00 p.m. or by appointment  
*Department/School* Department of Economics and Finance

**TA** Chaoyi Chen  
*Email* chaoyi@uoguelph.ca  
*Office Location* MCKN 721  
*Office Hours* TBA

**Class Schedule:** Tuesday, Thursday 1:00 PM-02:20 PM, MACN 113

**Pre-requisites:** [ECON\\*1100](#), (1 of [MATH\\*1000](#), [MATH\\*1030](#), [MATH\\*1080](#), [MATH\\*1200](#))

## Course Description

### Objectives:

Intermediate Macroeconomics is designed to provide students with a solid command of intermediate macroeconomic theory as a tool for understanding how the Canadian economy behaves as a whole. This course attempts to strike an appropriate balance between the analysis of long-run and short-run macroeconomic performance; between Keynesian and Classical perspectives; between theory and policy applications.

This course develops basic theoretical models of goods, labour and asset markets and analyses interactions among these markets in the framework of the economy as a whole. Topics include: determinants of key macroeconomic variables such as GDP, interest rates, and unemployment. After an introduction to the course, we will review the meaning and measurement of selected macro variables. We will then develop Classical and Keynesian models for closed and open economies. To conclude the course, we will examine the problems of inflation and unemployment and questions related to government deficits and debt.

## Indicative Content

**Topic 1: Introduction**  
Chapter 1 pp. 1-6 and pp. 10-14  
Chapter 8 pp. 231-238

**Comments:**

**Chapter 1**

*Pages 6-10 Omit reading– Section 1.2 – ‘What Macroeconomists Do’*

*Page 10 Continue reading Section 1.3 – ‘Why Macroeconomists Disagree’ to the end of the chapter.*

*It is important that you read Chapter 1 but don’t spend a lot of time on it. Focus mainly on the Classical-Keynesian debate.*

**Chapter 8**

*Page 238 - Stop reading ‘Business Cycle Facts’*

*Chapter 8 mentions that economic growth is an important macroeconomic issue. This is certainly true, but it is a topic that is best left to more advanced courses.*

**Topic 2: Some Basic Macroeconomic Concepts**

Chapter 2 pp. 17-42

**Comments:**

*There are a couple of minor differences between the notes and the text: (1) the notes use the concept of personal disposable income whereas the text employs private disposable income, and (2) the notes distinguish between personal and business saving whereas the text does not.*

**Topic 3: The Aggregate Production Function and the Labour Market**

Chapter 3 pp. 47-64, 67-85

**Comments:**

*Page 64 – Stop reading ‘Income Leisure Trade-off’*

*Page 67 - continue reading on– Section 3.3 ‘The Labour Supply Curve’ to end the of chapter*

**Topic 4: The Goods Market**

Chapter 4 pp. 92-102 and pp. 104-125

**Comments:**

*Students often have difficulty understanding the effects of fiscal policy on desired consumption and desired national saving (pp. 104-107). Because of this, I have tried to explain these effects in some detail.*

*Pages 102-104 - omit reading ‘Taxes and the Real Return to Saving’*

*Page 104- omit reading ‘Table 4.1 – Calculating After-Tax Interest Rates’*

*Page 104 – begin reading ‘Fiscal Policy’ to the end of the chapter*

**Topic 5: The Asset Market**

Chapter 7: pp. 202-219, pp. 221-224

**Comments:**

*Page 205 - omit reading on M3 ‘The M2 and M3 Monetary Aggregates’*

*Focus on M1+ and M2 monetary aggregates*

*Pages 219-221 - omit reading ‘Elasticities of Money Demand’ and ‘Velocity and the Quantity Theory of Money’*

*Page 223 - continue reading Section 7.4 – ‘Asset Market Equilibrium’*

*Page 224- stop reading on Section 7.5 – 'Money Growth and Inflation'*  
*The lecture notes do not explain how central banks (the Bank of Canada in this country) control the money supply. To refresh your memory on how this is done, briefly review your ECON\*1100 notes dealing with this topic. In addition, see pp. 205-206 the section on 'The Money Supply'.*

**Topic 6: The Complete Classical Model**  
Chapter 9 pp. 252-271

**Comments**

*Section 9.5 attempts to fuse the classical and Keynesian models by using the Keynesian approach to explain how equilibrium is achieved in the classical model. In my opinion, this approach leads to confusion, and it is difficult to follow without first having read Chapter 12. For these reasons, you should omit Section 9.5. The approach used in lectures is more straightforward.*

**Topic 7: A Keynesian Model**

Chapter 12: Appendix 12.A pp. 438-443 and pp. 416-426  
Also read pp. 455-462 3<sup>rd</sup> Ed. Section 12.3  
*Chapter 12 3<sup>rd</sup> Ed. will be posted in .pdf format on CourseLink*

**Comments**

*Page 416 – begin reading - 'Section 12.4 – Price Stickiness'*  
*Page 426 – stop reading at 'Supply Shocks in the Keynesian Model'*

*The discussions of the efficiency wage model and price stickiness in Appendix 12.A and Section 12.4 are more detailed than we require, so read these sections selectively. Section 12.5, especially the part dealing with stabilization policy, is highly recommended. Skip the material dealing with (a) the so-called classical model and (b) the AD-AS approach.*

**Topic 8: Aggregate Demand and Aggregate Supply**

Chapter 8: pp. 249-250  
Chapter 9: pp. 280-286

**Comments**

*Page 249 – begin reading Section 8.4 – 'Business Cycle Analysis: A Preview'*  
*Page 280-286 – begin reading Section 9.6 – 'The Aggregate Demand Curve'*  
*Parts of this discussion will incorporate the Long-Run Aggregate Supply Curve and the Short-Run Aggregate Supply Curve. This information is not mentioned in the text but will be fully explained in lectures.*

**Topic 9: Macroeconomics in an Open Economy**

Chapter 5 pp. 131-139, pp. 152-155  
Chapter 10: pp. 302-312, pp. 316-332

**Comments**

*Page 139 – stop reading Section 5.2 – 'Goods Market Equilibrium in an Open Economy'*  
*Page 152 – begin reading Section 5.5 – 'The Twin Deficits'*  
*Page 316 – begin reading Section 10.3 – 'The International Asset Market: Interest Rate Parity'*  
*Page 332 – stop reading Section 10.6 – 'Fixed Exchange Rates'*  
*In the notes I draw on parts of Chapters 5 and 10 to formulate what I hope is a coherent discussion of macroeconomics in a small open economy.*

**Topic 10: Government Deficits and Debt**  
 Chapter 15: pp. 511-525, pp. 529-536

**Comments**

*Page 525 – stop reading at 'Incentive Effects of Fiscal Policy'*  
*Page 529 – start reading at 'Government Deficits and Debt'*  
*Page 536 – stop reading at 'Ricardian Equivalence across Generations'*  
*Chapter 15 is a very readable chapter dealing with a macroeconomic issue that is currently quite important.*

**Topic 11: Inflation and Unemployment**  
 Chapter 13: pp. 447-461

**Comments**

*Page 461 – stop reading at Section 13.2 – 'The Problem of Unemployment'*

*Please note: The material on the tests and the final exam are based on the lecture notes. When studying, please read the lecture notes first and use the textbook to supplement what was said in class.*

*\*Please see the last page for the course schedule\**

## Course Assessment

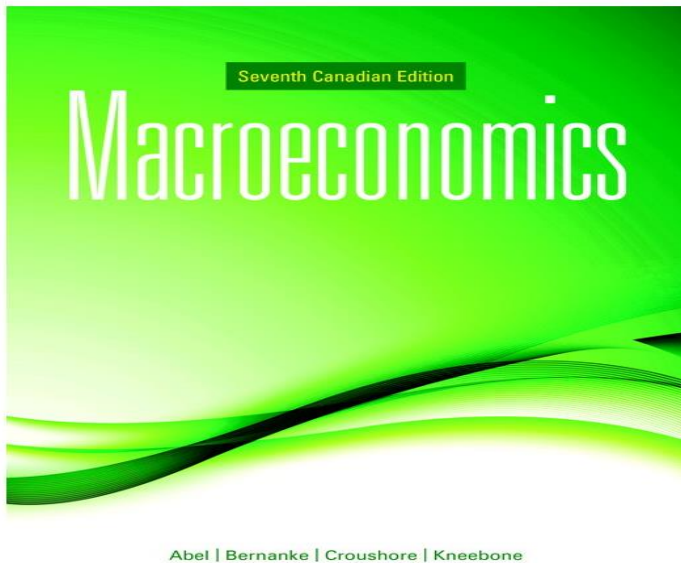
		Associated Learning Outcomes	Due Date/ Location
<b>Assessment 1:</b>	25%	Test 1	Sat Jan 30 2016 1:00-2:15pm ALEX 100
<b>Assessment 2:</b>	25%	Test 2	Sat Feb 7 2016 1:00-2:15pm ALEX 100
<b>Assessment 3:</b>	50%	Comprehensive Final Exam	Fri Apr 15 2016 2:30-4:30pm
<b>Total</b>	<b>100%</b>		

## Teaching and Learning Practices

**Lectures** Lecture time will be allocated to the teaching of the fundamental concepts, the theoretical models and the problem solving techniques.

**Labs** Lab time will be used by your TA to cover answers to problem sets posted on CourseLink. These problems test relevant concepts discussed in class. You should attempt as many of these problem sets as possible prior attending the lab sessions covering them. These problems will not be graded or turned in but you should view them as a necessary and required component of the course. The answers to the problem sets will not be posted on CourseLink.

## Course Resources



**Required Texts: Package Title:**

**Macroeconomics with Study Guide RVP**

**Edition: 7**

**Authors:** Andrew B. Abel, Ben S. Bernanke ,  
Dean Croushore, Ronald D. Kneebone

**Language:** English

**Hardcover:** 600 pages

**ISBN 10:** 013451968X

**ISBN 13:** 9780134519685

**Limited copies of the study guide may  
also be purchased separately**

**ISBN:** 9780321549310

### Recommended Texts:

Most of the recommended books are available at the University of Guelph library:

<http://www.lib.uoguelph.ca/>

### Other Resources:

The following resources will be found on <http://courselink.uoguelph.ca/>

Course notes, PowerPoint slides, and practice questions. and Test 1 and 2 answer keys

Additional resources include - problem sets covered in labs, course text, study guide and a companion website found by clicking on the following link <http://www.pearson.ca/abel>

## Course Policies

### Grading Policies

There are no make-up tests. If a student misses a test exam but provides the instructor with appropriate documentation, then the weight of that test will be shifted to the final exam.

### Course Policy regarding use of electronic devices and recording of lectures

Electronic recording of classes is expressly forbidden without consent of the instructor. When recordings are permitted they are solely for the use of the authorized student and may not be reproduced, or transmitted to others, without the express written consent of the instructor.

## University Policies

### Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for Academic Consideration:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

### Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2015-2016/>

### Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact the Centre for Students with Disabilities as soon as possible.

For more information, contact CSD at 519-824-4120 ext. 56208 or email [csd@uoguelph.ca](mailto:csd@uoguelph.ca) or see the website: <http://www.csd.uoguelph.ca/csd/>

### Course Evaluation Information

You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. **The course evaluation will be held in class.** For further details, please refer to the Course and Instructor Evaluation Website [www.ceval.uoguelph.ca](http://www.ceval.uoguelph.ca)

### Drop date

The last date to drop one-semester courses, without academic penalty is March 11<sup>th</sup>, 2016. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

## Additional Course Information

You will be responsible for the graphs in addition to the data presented in the textbook. I expect that you remember the approximate levels and trends for some of the key macroeconomic statistics (i.e. the inflation rate, unemployment rate, GDP, GDP growth rate, 90 day government bill rate, etc.).

Each test will consist of (25-30) multiple choice questions and a short answer section.

The final examination is cumulative and will consist of 65 multiple choice questions.

## Course Learning Outcomes

Upon successfully completing this course, you will be able to distinguish between the short run, transition period and the long run effects of both fiscal and monetary policies.

### Knowledge and Understanding:

- 1) **Mathematical Methodology:** Students are expected to **solve** systems of linear equations.
- 2) **Statistical and Econometric Methodology:** Students have to be **familiar** with basic data analysis, regression analysis, robustness, scatter plot.
- 3) **Microeconomic modelling:** Students are expected to **apply** the supply and demand framework to various markets.
- 4) **Macroeconomic Modeling:** As an intermediate course, ECON\*2410 introduces students to macroeconomic modelling. Students are expected to **remember** and **recognize** various concepts and models.
- 5) **Understanding of Specific Markets:** Several markets are **analyzed** such as goods market, the money market, the bond market, the foreign exchange market, the labour market. Students are expected to **understand** and **remember** their specificities and commonalities
- 6) **Economic Policy and Regulation:** Governments have significant macroeconomic influences. Students must **understand** and **explain** the effects of monetary, fiscal, and exchange rate policy.

### Discipline/Professional and Transferable Skills:

- 1) **Written Communication:** The term tests will each have a short answer question which will be graded with a rubric specifying relevant criteria.
- 2) **Numerical Problem Solving:** Students will have to **calculate** various macroeconomic indicators, **solve** various economic models namely the *IS-LM* model, the *AS-AD* model. Students will also have to make **quantitative predictions**. These numerical skills will be assessed with quantitative problems in the practice question, questions assigned during labs, and the term tests.
- 3) **Analytical Problem Solving:** Most of the course relies on graphical **analysis** to **demonstrate** and **interpret** the various economic models. This will be tested on the term tests and final.
- 4) **Problem solving in a Real World Context:** Students will have to **apply** the course materials to historical and current macroeconomic problems.
- 5) **Computer skills.** *Basic Excel skills are expected.*

**Lecture Schedule:**

<b>Date</b>	<b>Chapter</b>
Jan 12, 14	Course Outline, Ch. 1 pp. 1-6 and pp. 10-14 Ch. 8 pp. 231-238 Ch. 2 pp. 17-42
Jan 19, 21	Finish Ch. 2 Ch. 3 pp. 47-64, 67-85
Jan 26, 28	Finish Ch. 3 Start Ch. 4 Ch. 4 pp. 92-102 and 104-124 <b>Review for Test 1</b>
<b>Jan 30</b>	<b>Test 1 (Ch. 1, 2, 3, 8) 1:00-2:15 p.m.</b>
Feb 02, 04	Finish Ch. 4
Feb 09, 11	Ch. 7 pp. 202-219 and 221-224 Start Ch. 9 pp. 252-271
<b>Feb 15-19</b>	<b>Reading Week</b>
Feb 23, 25	Finish Ch. 9 Start Ch. 12 pp. 438-443, 416-426 Also read pp. 445-462 3 <sup>rd</sup> Ed. Section 12.3 (posted on CourseLink) <b>Review for Test 2</b>
<b>Feb 27</b>	<b>Test 2 (Ch. 4, 7, 9) 1:00-2:15 p.m.</b>
Mar 01, 03	Finish Ch. 12 Ch. 8. pp. 249-250 Ch. 9. pp. 280-286
Mar 08, 10	Ch. 5 pp. 131-139 and pp. 152-155
Mar 15, 17	Ch. 10 pp. 302-312, pp. 316-332
Mar 22, 24	Finish Ch. 10 Start Ch. 15 pp. 511-525, pp. 529-536
Mar 29, 31	Ch. 13: pp. 447-461
Apr 05, 07	Overflow, Final Exam Review

*Lecture schedule subject to change. Any changes will be announced on CourseLink*