

Macroeconomic Theory and Policy
ECO209Y
Academic Year 2016-17

Course description

Modern macroeconomic theory attempts to explain how monetary policy, fiscal policy, and unforeseen "shocks" impact the economy of nations. Topics include, but are not restricted to, employment, inflation, productivity growth (or lack thereof), interest rates, and exchange rates. Once we have gained a solid theoretical foundation, we will study how theory is applied in practice. Our focus will be on the role of government: specifically expenditure and taxation, and the role of the central bank; how policy influences the money supply and sets interest rates.

Instructor

Robert J. McKeown
Assistant Professor, Teaching Stream
Department of Economics, University of Toronto
150 St. George St. Room 342
Office Hours: Tuesday 5:00 - 6:00pm

Learning outcomes

Successful students will be able to:

- explain the theory underlying unemployment, inflation, productivity and exchange rates.
 - solve economic problems using theoretical models, calculus, and diagrams.
 - distinguish between short-run and long-run outcomes.
 - contrast fiscal and monetary policy in open and closed economies.
 - apply theory to predict how fiscal and monetary policy will affect key economic outcomes such as unemployment and aggregate income.
-

Prerequisites

Students must have completed the appropriate prerequisites to continue in this course:
<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>

Learning Strategy

Lectures

Section	Day	Time
L0101	Tuesdays	10:00 - 1:00pm
L0201	Tuesdays	2:00 - 5:00pm
L0301	Wednesdays	2:00 - 5:00pm
L0401	Thursdays	2:00 - 5:00pm

Lecture will be two to three hours, usually just two hours. There will be a combination of powerpoint slides and written note-taking, usually for deriving mathematical models. On specified days, the third hour of lecture will be devoted to tutorials. Students should bring pen and paper to every class. We will also enjoy a 10-minute break to stretch our legs and relax.

Textbook

N. Gregory Mankiw and William M. Scarth, *Macroeconomics: Canadian Edition*, Worth Publishers, 5th Canadian edition (2014). This book is mandatory. The text covers most, but not all, of the models and concepts covered in class.

Tutorials and Problem Sets

On specified days, students will solve problem sets based on the material covered in lecture. Any questions not covered in tutorial will be assigned for homework. A teaching assistant will be present and act as your guide through the material.

Economics in the news

Economic news will occasionally be posted on the course website in order to familiarize students with relevant current economic issues. All posted news items will be part of the required course material for term tests and final exam. Consequently, I will do my best to keep the news articles pertinent to course material and avoid tangents.

Case studies

Formal lecture presentations will be complemented with case-studies. Students will be able to express their views and understanding based on the theoretical and technical knowledge acquired in the course and beyond. There will be a number of case studies, mostly concentrated in the second term. All case-studies will be part of the required course material for term tests and final exam. Note: there may be some overlap between case studies and news items. For example, a news article from October could become part of a larger case study in February.

The lectures and the textbook are designed to help you grasp the concepts and develop the tools necessary to succeed. Hence they are meant to be mutually reinforcing. In tutorial, students will have the opportunity to solve problems in order to reinforce their knowledge

from the lectures and readings. Some solutions will be provided but others will be withheld. This is to encourage you to make connections between separate ideas and to provide a basis for critical thinking. Newspaper articles demonstrate real world applications of what you have learned; case studies develop your ability to predict outcomes from policies and exogenous ‘shocks’. Students that fail to attend lecture, complete problems sets, read assigned articles, or participate in case studies will have difficulty succeeding on tests. Attending lecture and tutorials is no different than studying.

You can lead a horse to water, but you can't make it drink.

– Old English Homilies, 1175 CE

Evaluations

	Date	Grade
Test 1	October 28	15%
Test 2	December exam period ^a	15%
Test 3	February 17	15%
Paper outline	February 3	5%
Academic paper:	March 20 ^b	15%
Final exam	Final exam period ^c	35%

Note: time and location of term tests will be announced in the near future on Blackboard and during lecture.

^aThe December Exam Period covers December 9 to December 20.

^bWriting assignment topics will be assigned no later than January 15th.

^cThe Final Exam Period covers April 10 to April 28

Academic paper

As part of the course requirements, students will write a short academic paper on an assigned topic. The paper should be about 1,500 words in length (5-6 double-space pages). Prior to completing the paper, an outline including an annotated bibliography and thesis statement shall be submitted. A late outline will receive a grade of ZERO. Furthermore, no essay will be graded WITHOUT an outline. Late essays, or essays without a corresponding outline, will be penalized 5% points each day, including weekends. A more detailed description of the outline requirements will be disseminated following the December break.

Students are asked to submit their paper outline and essay to Crowdmark. Instructions on how to do so can be found here: <https://crowdmark.desk.com/customer/en/portal/articles/1639407-completing-and-submitting-an-assignment>. Additionally, students must submit their term paper to Turnitin.com for the detection of possible plagiarism before 11:55pm on March 20th. More detailed procedures for submission will be announced later. The University requires that the following paragraph be included in the syllabus of all courses using Turnitin.com:

Normally, students will be required to submit their essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where

they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.

Please note that you are not obligated to submit your paper to Turnitin.com. If you object to submit your paper to Turnitin.com, let me know by March 3 and I will offer you a reasonable alternative.

Guidelines for writing the term paper

There are several Writing Centres at the University of Toronto where you can receive helpful information to guide you in writing an academic essay. A list of these Writing Centres can be accessed at <http://www.writing.utoronto.ca/writing-centres>. Once you have completed your proposal, I strongly encourage you to arrange for a meeting with one of the writing centres at an University of Toronto campus. Here is the link to writing centres on St. George campus where you may book appointments online:

<http://www.writing.utoronto.ca/writing-centres/arts-and-science>. More general advice on academic essay-writing can also be electronically accessed at

<http://www.writing.utoronto.ca/advice/general/general-advice>. In January, more detailed instructions and guidelines will be posted on Blackboard, including a fairly detailed grading rubric. We will also discuss what is expected of your writing assignment in class.

Economics Study Centre

The Economics Study Center is staffed by third- and fourth-year undergraduate students who act as peer mentors to Economics and Commerce students. The peer mentors assist students on a one-to-one basis or in study groups. The Centre will operate at a time and location to be determined. Further information can be found on the Centre's website:

<http://www.economics.utoronto.ca/index.php/index/undergraduate/load/studyCentre>

Missed tests

Students missing a term test for a certified medical reason, or other approved cause, will be permitted to write a comprehensive (cumulative) make-up test towards the end of the second term. In these instances, students are required (without exceptions) to submit official documentation within one week of the missed test. In the case of illness, the University of Toronto official Verification of Student Illness or Injury form, available for downloading from the course website, must be used. This form must be submitted to the instructor in person (i.e., not to the Department's receptionist and not by fax or e-mail). Students deemed ineligible for writing the make-up test will receive a grade of zero for the missed test. The make-up test will be written on Friday, March 10 from 8:00 to 10:00pm in a location yet to be announced. The make-up test will cover the entire material covered for tests 1, 2 and 3 there will be no special allowance for any possible time conflict.

The Verification of Student Illness or Injury form is available here:

<http://www.illnessverification.utoronto.ca/getattachment/index/Verification-of-Illness-or-Injury-form-Jan-22-2013.pdf.aspx>

Marking and appeals

Disputes over the evaluation of a test should be discussed with the instructor. Disagreement with the marking means that an error might have been made – for instance, the marker failed to consider a part of your answer. Conversely, suggesting that you believe you deserved a higher grade is not a valid reason for a re-marking. After reviewing the solution posted on the course website, submit in person a brief note clearly indicating the reasons for your disagreement with the grade. You should include the link to your test or paper in Crowdmark, without any attachments. You must submit your appeal within one week after the test is returned to students. Please note that all questions of the test will be remarked and not only the question in dispute.

Academic integrity

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honours the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently. According to Section B of the University of Toronto's Code of Behaviour on Academic Matters <http://www.governingcouncil.utoronto.ca/Assets/Governing+Council+Digital+Assets/Policies/PDF/ppjun011995.pdf>, which all students are expected to know and respect, it is an offence for students:

- To obtain unauthorized assistance on any assignment.
- To provide unauthorized assistance to another student. This includes showing another student completed work (e.g., an answer in a test).
- To falsify or alter any documentation required by the University. This, includes, but is not limited to, doctor's notes.
- To use or possess an unauthorized aid in any test or exam (e.g., a cell phone).
- To continue writing when the time is up in any test or exam.
- To submit a medical note to get out of a test when the student is not actually sick.

There are other offenses covered under the Code, but these are by far the most common. Please respect these rules and the values which they protect. For useful tips for avoiding academic misconduct, please visit the website of the Office of Student Academic Integrity at <http://www.artsci.utoronto.ca/osai/students/avoid-misconduct>.

Electronic Communication

Our main course site is on Blackboard, you can login here: <http://portal.utoronto.ca/>. This is where you can find problem sets, notes and information on the course. We will use Piazza to facilitate communication. Students may sign up here: <https://piazza.com/utoronto.ca/fall2016/eco209y>, and the ECO209Y course page is here: <https://piazza.com/utoronto.ca/fall2016/eco209y/home>. Please note that you may need to copy and paste these links into a new browser window or tab. The TAs and I periodically

check Piazza to ensure proper usage, flag some postings, and possibly answer some questions. However, Piazza's emphasis is on student-to-student Q&A. Piazza is a complement to face-to-face interactions during office hours, lecture, tutorials and the Economics Study Centre. Piazza is also a substitute for e-mail.

For private matters or to notify me of a general problem/issue affecting our course, my e-mail is robert.mckeown@utoronto.ca. Please include the course code in the subject line, your full name, and student number. For e-mails asking for a reply, I will reply within three business days. If I fail to do so, you should assume I forgot to reply and re-send your message. For specific questions on course content, problems sets, and graded material, please post the question on Piazza. These are likely of interest to your fellow students and consequently posting your question will aid your peers.

Crowdmark

The department of economics has secured Crowdmark this year for all of our undergraduate course offerings. Crowdmark is a 'collaborative online grading and analytics platform that helps educators evaluate student work more effectively.' Your term tests and paper will be scanned and uploaded to Crowdmark, and it is here that your work will be graded.

Course Outline

Introduction

Chapter 1 & 2: the science and data of macroeconomics

The classical economy in the long-run

Chapter 3: National income, savings and investment

Chapter 4: Money and inflation

Chapter 5: The Open Economy

Chapter 6: Unemployment

The Keynesian and Neo-classical economy in the short-run

Chapter 9: Introduction to aggregate supply and aggregate demand (AD-AS)

Chapter 10: Building the IS-LM Model

Chapter 11: Applying the IS-LM Model

Chapter 12: The AD-AS & IS-LM open economy model (Mundell-Fleming)

Chapter 13: Aggregate supply and the trade-off between inflation and employment

Additional topics if time permits

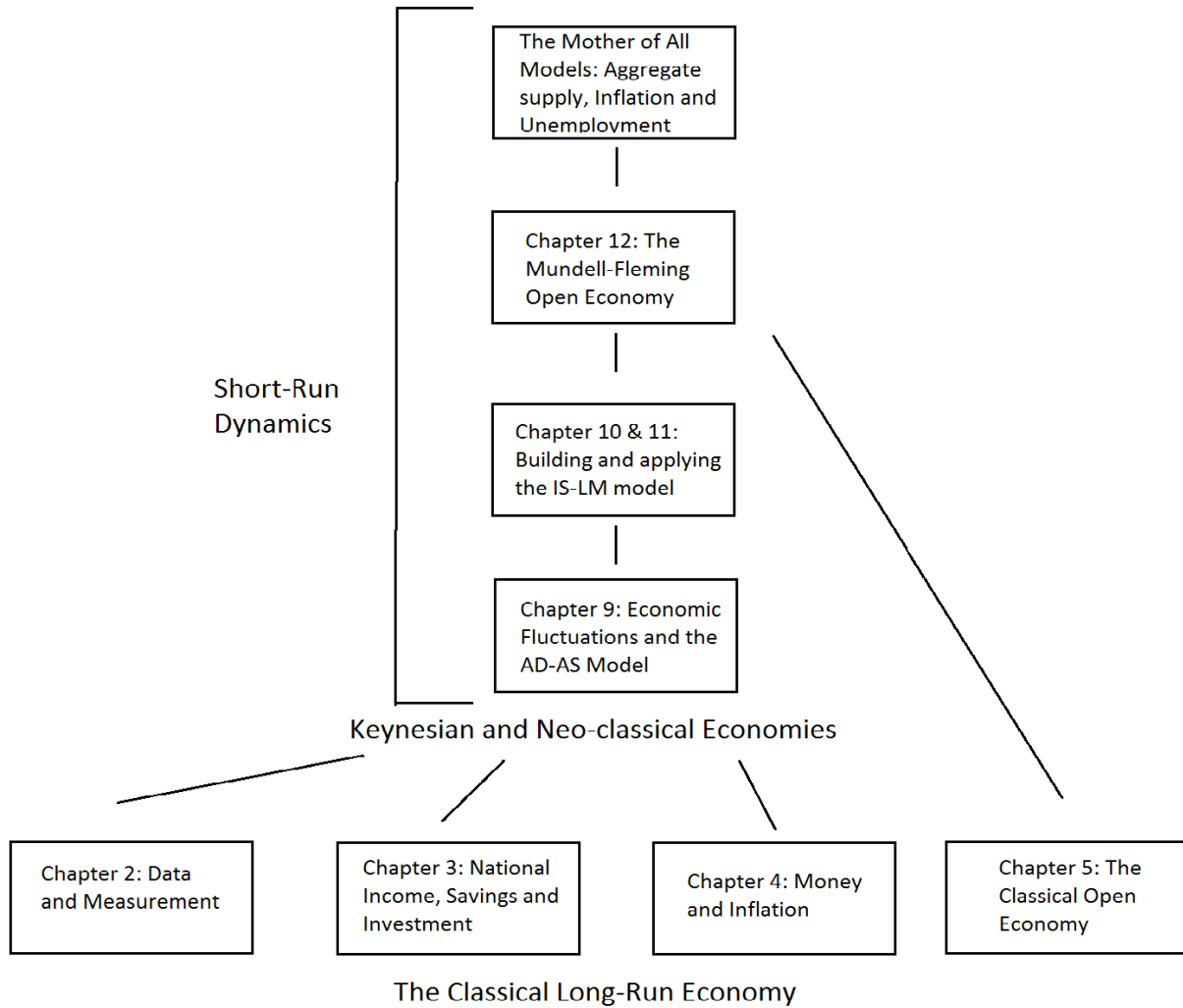
Chapter 16: Government debt and budget deficits

Chapter 7,8: Growth theory in the very long-run

Chapter 17: Consumption

Chapter 18: Investment

The ECO209Y Learning Guide



Classical economics are (mostly) non-controversial and provide the foundation for more modern topics in the economy.

Get-to-know-your-new-colleagues game!

Rules:

- 1) Introduce yourself to someone you don't already know.
- 2) Ask them which major (specialty) she/he plans to be.
- 3) See which question he/she can answer, record his/her name and specialty then move on to meet another colleague!

Who commutes to campus for more than one hour?

Who lives on campus or less than a 20 minute-walk away?

Who volunteered for Frosh Week?

Who left school for a year or more to work or travel?

Who recently took a risk to try something new?

Who has read an article in the Financial Times?

Who has attended a writing center event or consultation?

Who can share one expectation of this course that is important to them?