

*ECO209Y - Macroeconomic Theory and Policy*  
*Fall 2016 & Winter 2017*  
*ECO209Y*

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*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 it influences the money supply and sets interest rates.

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*Instructor*

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Assistant Professor, Teaching Stream  
Department of Economics  
University of Toronto  
150 St. George St. Room 342

Office Hours: Tuesday 5:00pm - 6:00pm

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*Prerequisites*

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

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*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.
  - judge the merits of government policy in recent crises.
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## *Evaluations*

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	Date	Grade
Test 1	October 28	15%
Test 2	December exam period <sup>a</sup>	15%
Test 3	February17	15%
Paper:	March 20 <sup>b</sup>	15%
Exam	Final exam period <sup>c</sup>	40%

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<sup>a</sup>The December Exam Period covers December 9 to December 20.

<sup>b</sup>Topics will be assigned no later than the end of the week of February 20<sup>th</sup>.

<sup>c</sup>The Final Exam Period covers April 10 to April 28

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## *Learning Strategy*

### *Lectures*

Lectures will be held on Tuesday from 10:00 AM to 12:00 noon.

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### *Textbook*

N. Gregory Mankiw and William M. Scarth, *Macroeconomics: Canadian Edition*, Worth Publishers, 5th Canadian edition (2014). This book is mandatory.

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### *Tutorials and Problem Sets*

Tutorials will be held intermittent throughout the year on Tuesday from 12:00 noon until 1:00pm. As the semester progresses, a schedule will be posted on Blackboard.

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### *Economics in the news*

Economic news will regularly 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.

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### *Case studies*

Formal lecture presentations will be complemented with case-study analyses where 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 about 10-12 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.

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The lectures and the textbook are designed to help you grasp the concepts and develop the tools 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. Any questions not covered in tutorial will be assigned for homework. Newspaper articles demonstrate the real world applications of what you have learned while case studies develop your ability to predict outcomes from policy using economic theory. Students that fail to attend lecture or participate in case studies will have difficulty succeeding on tests.

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

– Old English Homilies, 1175

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### *Term paper*

As part of the course requirements, students will write a short term paper on a topic to be assigned the week of February 20<sup>th</sup>. The paper should be about 1,500 words in length (5-6 double-space pages). The essay will be due at the beginning of class on the week of March 22 and the penalty for late submission will be 5 percentage points per day.

Note that, in addition to providing a hard copy, students will be asked to submit their term paper to Turnitin.com for the detection of possible plagiarism. The paper must be submitted to Turnitin.com before midnight of March 22. The 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 course 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 offline alternative.

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### *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>.

More general advice on academic essay-writing can also be electronically accessed at <http://www.writing.utoronto.ca/advice/general/general-advice>. A grading rubric will be uploaded to Blackboard.

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### *Economics Aid Centre*

Tutors will be available to provide individual instruction on course material at the Economics Aid Centre. The Centre will operate at a time and location to be determined.

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### *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>

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### *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 4:00 to 6:00 PM in a location 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>

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### *Marking and appeals*

Disputes over the evaluation of a test should be discussed with the instructor. After reviewing the solution posted on the course website, submit in person a brief note clearly indicating the reasons for your disagreement with the marking. Disagreement with the marking means that an error might have been made – for instance, the marker failing to consider a part of your answer. Note that indicating that in your view you deserved a higher mark is not a sufficient reason for requesting a remarking of a test. 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.

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### *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 offences 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>.

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### *Electronic Communication*

Our main course site is on Blackboard [Blackboard url]. 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: [piazza.com/utoronto.ca/fall2016/eco209](https://piazza.com/utoronto.ca/fall2016/eco209). 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 in office hours, class, 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](mailto:robert.mckeown@utoronto.ca). Please include the course code in the subject line and please include either your full name or student number. For e-mails asking for a reply, if I can answer briefly without explaining course content or revealing something of general interest, then I will reply within three business days. For any question that would interest other people (e.g. a question about an upcoming test, a tricky course concept, etc.), you must post on Piazza.

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### *Socratic*

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### *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

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

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

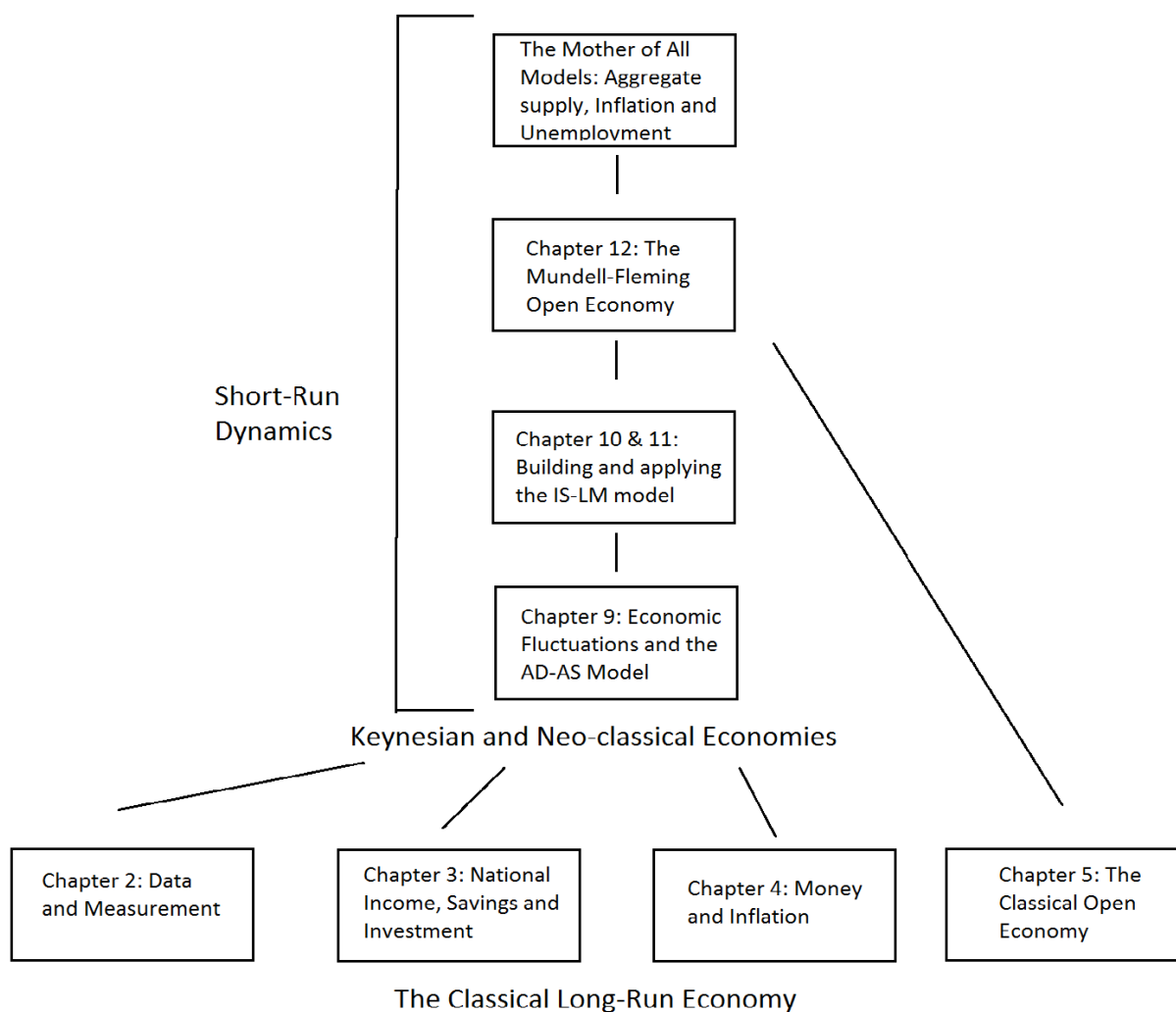
Chapter 10: Building the IS-LM Model

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

### The ECO209Y Learning Pyramid



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

### Additional topics if time permits

Chapter 6: Unemployment

Chapter 16: Government debt and budget deficits  
Chapter 17: Consumption  
Chapter 18: Investment  
Chapter 7 & 8: Growth theory in the very long-run