

Department of Economics  
University of Toronto  
Summer 2018

# ECO 209Y – L0101

## Macroeconomic Theory and Policy

TR10-1 – WW 119

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### INSTRUCTOR – FIRST TERM

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### INSTRUCTOR – SECOND TERM

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### OFFICE HOURS (First Term)

Monday, 10:00 – 11:00 AM

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### COURSE DESCRIPTION

The aim of this course is to provide full coverage of modern macroeconomic theory and to demonstrate the use of theory in analyzing important macroeconomic issues in Canada, such as employment, inflation, productivity growth (or lack thereof), interest rates, and exchange rates. In the first semester, the focus will be on short-run fluctuations and the implementation of economic policy to eliminate recessionary gaps. In the second semester, the attention will be turned to the analysis of how the economy works in the long run, including economic growth.

***This outline refers mostly to the first term. A detailed outline for the second term will be available at the start of the term.***

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### REQUIRED TEXTBOOK

- N. Gregory Mankiw and William Scarth, ***Macroeconomics***, Fifth Canadian Edition (Worth Publishers, 2014).
- It is also highly recommended to purchase the accompanied ***Student Guide and Workbook*** by Roger T. Kaufman and William Scarth (Worth Publishers, 2014).

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### LECTURES

Lectures will be held on Tuesday and Thursday from 10:00 AM to 12:00 noon (and occasionally to 1:00 PM) in room WW 119.

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### CASE STUDIES (First Term)

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 4-5 case studies in the first term. All case-studies will be part of the required course material for the tests of the first term.

## **ECONOMIC NEWS (First Term)**

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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 test of the first term.

## **TUTORIALS**

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Tutorials will be offered weekly to answer questions arising from the problem sets, end-of-chapter problems, or other course material. In the first term tutorials will be held on Thursday from 12:00 to 1:00 PM in room WW 119.

## **ECONOMICS AID CENTRE**

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Tutors will be available to provide individual instruction on course material at the Economics Aid Centre. In the first term the Centre will operate according to the following schedule:

Day	Time	Location
Thursday	1:00 – 2:00 PM	GE 168

## **TESTS**

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There will be four 2-hour tests – two in each term – and no final exam. The second test of each term will be cumulative and cover the material for the whole term. Note that the tests will **not** be written during regular lecture times. The four tests will be written on the following dates:

	Date	Time	Location
Test 1	Wednesday, June 6	10:00 to 12:00 noon	TBA
Test 2	Examination week (June 20-26)	TBA	TBA
Test 3	Wednesday, July 25	10:00 to 12:00 noon	TBA
Test 4	Examination week (August 16-22)	TBA	TBA

## **CROWDMARK**

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All term work will be graded through *Crowdmark*, a collaborative online grading platform that helps instructors evaluate student work more effectively. Term tests will be scanned and uploaded to *Crowdmark* where they will be graded by the course TAs. Results with feedback will be emailed to students for viewing in a web browser.

## **TERM PAPER (Second Term)**

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As part of the course requirements, students will write a short **research paper** on a topic to be assigned. The paper should be about 1,500 words in length (5-7 double-spaced pages).

A **first draft** of the paper will be due at the beginning of class on **August 2** and the penalty for late submission will be **20 percentage points** of the paper mark.

A **final draft** of the paper will be due at the beginning of class on **August 9** and the penalty for late submission will be **5 percentage points per day**, including weekends.

Note that, in addition to providing a hard copy, students will be asked to submit their term papers to Turnitin.com for the detection of possible plagiarism. 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 the instructor know by **July 24** and you will be offered a reasonable offline alternative.

## EVALUATION

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The breakdown of the final grade will be as follows: the **first test** of each term will count for **15 percent** of the final mark, the **second test** of each term will count for **25 percent** of the final mark, and the **research paper** will count for the remaining **20 percent** of the final mark.

## GUIDELINES FOR WRITING THE RESEARCH PAPER

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

## MAKE-UP TEST (First Term)

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In the first term, students missing any one of the two tests for a certified medical reason, or other approved cause, will be permitted to write a comprehensive (cumulative) make-up test. **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 Tuesday, **July 3** from 2:00 to 4:00 PM in a location to be announced. ***Note that there will be no special allowance for any possible time conflict.***

## SUBMISSION OF MEDICAL CERTIFICATES (First Term)

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The University is cracking down on the excessive use — i.e., abuse — of doctors' notes to request tests and exam deferrals. Doctors' notes are supposed to certify that a student was ill and thus unable to write a test on a specific date, but they are not supposed to be used as an instrument for time management. The ***Office of Student Academic Integrity (OSAI)*** will evaluate the submission of suspicious medical certificates.

If you are unable to write any of the tests for a medical reason, you must submit an official University of Toronto *Verification of Student Illness or Injury* form where the physician clearly indicates that in his/her professional opinion you were unable to write the test on that particular date. This means that the doctor cannot limit him/herself to repeat what you have told him/her — the physician must clearly certify that you were sick **and** unable to write the test on that particular day.

**Note that Verification of Student Illness or Injury forms indicating conditions such as headaches, stomach ache, cold or other similar conditions will usually not be accepted as sufficient excuse for not writing a test.** All suspicious submissions of medical certificates will be rejected or forwarded to OSAI for further evaluation.

## MARKING AND APPEALS (First Term)

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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.**

## ACADEMIC INTEGRITY

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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.utoronto.ca/govcncl/pap/policies/behaveac.html>), 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 visit the website of the Office of Student Academic Integrity at <http://www.artsci.utoronto.ca/osai/students/how-can-i-avoid-an-offence.>]

## SOLUTIONS TO PROBLEM SETS (First Term)

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The purpose of the problem sets is to help you build skills and to deepen your understanding of the course material. One important skill is being able to figure out a solution approach to a problem that you have not seen before. To develop this skill and get a thorough comprehension of the subject you must make every effort to solve the problem yourself with the help of your lecture notes and the textbook. Consider answering these questions as if they were part of an open-book exam with the additional advantage of not having a time constraint. After you complete your answer to a question, then compare it to the solution provided in order to confirm that your answer is correct or to reflect where you might have gone wrong.

Looking at the solutions before attempting to answer the questions is not helpful. You might look at the solution and say: "Oh, this is easy." And it might be easy, but you haven't learned anything

from this exercise. I would dare you to wait 30 minutes and attempt to answer the same question without looking at the solution. You will see that the “easy” answer to the question is still as difficult as it was 30 minutes earlier. To look at the solutions first is the wrong approach — most likely you will forget the correct “easy” answer in no time. However, if you get to answer the question by yourself you will learn a lot more than just what the correct answer might be. You will learn “how” to get to the correct answer and you will also learn many details that had escaped you when you read your lecture notes and the textbook time and time again. And I can assure you that what you learn in this way you will not easily forget.

Of course, all this also applies to the use of the solutions to old tests posted on the course website. **Attempt to answer these old tests without looking at the solutions!**

## **COURSE OUTLINE AND READING ASSIGNMENTS**

### **FIRST TERM**

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#### **I. INTRODUCTION**

1. Introduction (Ch. 1)
2. National Income Accounting (Ch. 2)

#### **II. THE FIXED-PRICE LEVEL MODEL**

3. Aggregate Expenditure and Equilibrium Income (Ch. 10, pp. 317-327)
4. The Stabilizing Role of the Government (Chs. 15-16)
5. The IS-LM Model (Ch. 10)
6. Fiscal and Monetary Policy (Ch. 11 except pp. 354-358)

#### **III. THE SUPPLY OF MONEY**

7. Neo-Keynesian View on Money and Banking (Ch. 19)
8. Exogenous/Endogenous Money Supply and the IS-LM Model

#### **IV. THE FLEXIBLE-PRICE LEVEL MODEL (I)**

9. An Introduction to the AD-AS Model (Ch. 9 and Ch. 11, pp. 354-358)

### **SECOND TERM**

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#### **V. THE FIXED-PRICE LEVEL MODEL IN THE OPEN ECONOMY**

10. The IS-LM Model for an Open Economy (Ch. 12)

#### **VI. THE FLEXIBLE-PRICE LEVEL MODEL (II)**

11. The Aggregate Supply (Ch. 13)
12. The Dynamic AD-AS Model (Ch. 14)

#### **VII. OTHER TOPICS**

13. Income Inequality (Chs. 3 and 6, including Appendix)
14. Search Theory (Williamson, Ch. 6)
15. Economic Growth (Chs. 7 and 8; Jones, Ch. 6)