

University of Toronto  
Department of Economics  
ECO208Y1Y—L0101  
Macroeconomic Theory  
Summer 2019  
Cory Langlais and Frank Leenders

**Lectures:** Tuesdays and Wednesdays (unless otherwise specified) 4:00-6:00 pm, BA 1220

**Tutorials:** Thursday (unless otherwise specified) 4:00-6:00 pm, BA 1220

**Instructor 1 (May-June):** Frank Leenders, [frank.leenders@mail.utoronto.ca](mailto:frank.leenders@mail.utoronto.ca),  
– Office hr: Mondays 4-5.30pm, Location GE213 (or by appointment)

**Instructor 2 (July-August):** Cory Langlais, [cory.langlais@mail.utoronto.ca](mailto:cory.langlais@mail.utoronto.ca),  
– Office hr: Mondays 4-5.30pm, Location GE213 (or by appointment)

**TA 1 (Tutorials & Office Hours):** Paul Zibo Han, [p.han@mail.utoronto.ca](mailto:p.han@mail.utoronto.ca),  
– Office hr: Fridays 4-5pm, Location GE213

**TA 2 (Writing TA):** Baxter Van Halm Robinson, [baxter.robinson@mail.utoronto.ca](mailto:baxter.robinson@mail.utoronto.ca)

**Course Description:** ECO208 is an intermediate-level course in macroeconomics. In this course, tools to study macroeconomic events and policies are developed using a framework that is based on micro-foundations – the dominant approach in macroeconomics since the Lucas Critique. Topics include: measurement of aggregate economic variables and business cycles, analysis of government policies, unemployment, economic growth, business cycles and monetary policy, international trade and exchange rates. While the aim is to develop the theoretical tools with which to analyze the macroeconomy, data from several countries will be used to provide examples and to broaden the understanding of the global economy.

**Prerequisites:** ECO100Y1(70%)/(ECO101H(70%), ECO102H(70%));  
MAT133Y1(63%)/(MAT135H1(60%),MAT136H1(60%))/MAT137Y1(55%)/MAT157Y1(55%)

**Exclusion:** ECO202Y1, ECO209Y1

Note that we cannot waive the prerequisites, and enrolment is handled by the department.

**Learning Outcomes:** As a successful student in this course, you will be able to:

1. Solve economic problems using theoretical models, calculus, and diagrams.
2. Explain the difference between a Pareto Optimal allocation and a competitive equilibrium and the role of “frictions” in economic research.
3. Describe the theory underlying business cycles in both Neoclassical and New Keynesian frameworks.

4. Apply theory to predict how fiscal and monetary policies will affect key economic outcomes such as unemployment, aggregate income, and real interest rates.
5. Explain what Dynamic General Equilibrium Models are and how they are used in macroeconomic research
6. Write a thoughtful, critical analysis of a macroeconomic issue using both theory and empirical data.

**Textbook:** We will use “Macroeconomics” by Stephen Williamson (fifth Canadian edition). You can purchase the book at the University of Toronto Bookstore on campus. This is an excellent text in macroeconomics and we will follow it closely. Recommended readings will be announced and posted throughout the course.

**Grading and Exam Policy:** The course grade will consist of term work (60% of the final grade) and a final exam (40%):

	Date	Location	Weight
Term Test 1	May 28	TBA	50% (see below)
Term Test 2	June 13	TBA	
Term Test 3	July 24	TBA	
Writing Assignment 1	June 6	Quercus	5%
Writing Assignment 2	August 8	Quercus	5%
Final Exam	Exam Period: August 15-22	TBA	40%

Term work will include three midterm exams, all of which will be during class time, and two written assignments. For the term tests, the best two test marks will be worth 20% each, and your lowest of the three test marks will be worth 10%. The written assignments are worth 5% each. The assignments will be submitted online, by the beginning of the class on the due date.

**Make sure you check the important dates at the end of this document (and in the table above) to ensure that there are no conflicts with the exam dates.** You are responsible for reporting the conflict within the first two weeks of classes so that accommodations can be made.

Class participation is highly encouraged, and will count positively towards marginal adjustments to the final course grade. Class attendance is also highly encouraged, but this will not be enforced (i.e. there will be no pop-up quizzes or attendance sheets). However, it should be understood that the student bears responsibility for missing any lectures. Since the examinations will rely on the material covered during the lectures, missing too many lectures will without a doubt lead to a low performance. The TA or the instructors are not responsible to help you catch up with missed lectures; this is the student’s responsibility.

**Missed tests and assignments:** If you miss a term test for a legitimate reason (see below), you will have to write a makeup test at a time and location to be announced. If you missed one term test, the makeup test will count as a regular term test, and it will therefore be worth either 10% or 20%, depending on whether the grade is lower than your other term test grades. If you miss more than one term test, the makeup test will be worth 20% and the remaining weight of the missed

tests will shift to the final exam. The make-up test will be cumulative, and there will be no make-up for the make-up test.

If the deadline of a written assignment is missed, students can submit it within 7 days, but this will result in a late penalty of up to 35% of the grade for the assignment (5% per day). Submissions that are more than 7 days late will receive a grade of 0. The late penalty may be waived if the student missed the deadline for a legitimate reason (see below).

If you miss a test or deadline for medical, personal, family or other unavoidable reason, you should contact the instructors by email before the end of the term test or before the deadline of the written assignment. Furthermore, you should submit official documentation confirming the legitimacy of your absence to the instructor within a week of returning to class. Any of the following four types of documentation is deemed official:

- UofT Verification of Illness or Injury Form
- Student Health or Disability Related Certificate (a streamlined variant of the UofT Verification of Illness or Injury Form provided by UofT's own internal doctors)
- A College Registrar's Letter
- Accessibility Services Letter

**Re-grading Policy for Term Work:** The Re-grade policy for term work will be posted on Quercus at the start of the course. In short, students who want to have a midterm test or assignment re-graded must submit a re-grade form **within one week of the date that the test or assignment is returned**. This form will be made available on the course website. The form can be handed in before or after a lecture, or a scanned version can be sent to the instructors.

**Re-grading Policy for Final Exam and Course Mark:** Final exams are subject to different rules. You need to contact the Faculty of Arts and Sciences for viewing your final exam, and requesting a re-grade. Refer to the information provided in the following links:

<http://www.artsci.utoronto.ca/current/exams/examview>  
<http://www.artsci.utoronto.ca/current/exams/rr>

**Sample Problems:** Suggested sample problems will be assigned for the topics covered in class, but they will not be handed in or graded. On most weeks, the TA will go over some of the problems and answer questions during the tutorial hours. Tutorials will generally be held on Thursdays, but may occasionally be scheduled on a different day (in which case the Thursday time allocation is used for a lecture or term test). If this is the case, this will be announced in class and on Quercus.

**Office Hours:** Both the instructors and the TA's will hold office hours. See the first page for the times and locations.

**Contact Policy:** The preferred method of communication is in person, during lecture, tutorials and office hours. In the event that communication by e-mail is needed, please make sure to identify yourself and use your utoronto.ca e-mail account. This is to prevent missing e-mails due

to the spam filter. For e-mails asking for a reply, we will reply within two business days. If we fail to do so, you should assume we forgot and re-send your message to remind us.

**Quercus (course website):** The principal source of information about all course-related work will be the course site in Quercus, so please make it a habit to log in to the site on a regular if not daily basis. We will use Quercus to post information about the course, including materials required to complete class activities and course assignments.

Please note that any grades posted within the Quercus Grade Centre are posted for your information only, so you can view and track your progress through the course. No grades are considered official until they have been formally approved by the Course Instructors at the end of the course.

**Crowdmark:** The department of economics has secured Crowdmark 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 will be scanned and uploaded to Crowdmark, and you will receive an electronic copy of your graded test.

**Ongoing Learning Disability or Accommodation Requirement:** Students with diverse learning styles and needs are welcome in this course. If you have an ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) (<http://www.studentlife.utoronto.ca/as>). Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will then assess your medical situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your condition with any instructor, and your instructors will not reveal that you are registered with AS.

**Academic Integrity:** Academic integrity is a fundamental value of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that your UofT degree is valued and respected as a true signifier of your individual academic achievement. As such, the UofT treats cases of academic misconduct very seriously. The University of Toronto’s Code of Behaviour on Academic Matters outlines the behaviours that constitute academic misconduct, the processes for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document, which you can find at

<http://www.governingcouncil.utoronto.ca/Assets/Governing+Council+Digital+Assets/Policies/PDF/ppjun011995.pdf>. Potential offences include:

- Obtain unauthorized assistance on any assignment.
- Provide unauthorized assistance to another student. This includes showing another student completed work (e.g. an answer on a test).
- Falsify or alter any documentation required by the university. This includes, but is not limited to, doctor’s notes.
- Use or possess an unauthorized aid in any test or exam (e.g. a cell phone).
- Continue writing when the time is up in any test or exam.

- 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 that they protect. For useful tips on avoiding academic misconduct, please visit the website of the Office of Student Academic Integrity at <http://www.artsci.utoronto.ca/osai/students/avoid-misconduct>.

**Plagiarism:** We ask you to submit your writing assignments to Turnitin.com, through the assignment hand in page on Quercus, for the detection of possible plagiarism. 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 submitting your paper to Turnitin.com, let the instructor know at least two weeks prior to the due date, and he will offer you a reasonable alternative.

**English Language Learning:** ELL supports all U of T undergraduates enrolled in the Faculty of Arts and Science whose first language is not English (ESL or multilingual students), as well as native speakers seeking to improve their English language skills. Learn more at: <http://www.artsci.utoronto.ca/current/advising/ell>

### **Tentative Outline:**

- 1) Introduction (W, Chapter 1)
- 2) Measurement (W, Chapter 2)
- 3) Business Cycle Measurement (W, Chapter 3)
- 4) Consumer and Firm Behavior (W, Chapter 4)
- 5) A Closed-Economy One-Period Model (W, Chapter 5)
- 6) Unemployment (W, Chapter 6)
- 7) Economic Growth (W, Chapters 7-8)
- 8) A Two-Period Model (W, Chapter 9)
- 9) Credit Market Imperfections (W, Chapter 10)
- 10) A Real Intertemporal Model with Investment (W, Chapter 11)
- 11) A Monetary Model (W, Chapter 12)
- 12) Business Cycle Models (W, Chapters 13-14)
- 13) International Trade in Goods and Assets (W, Chapter 16)
- 14) Money and Banking (W, Chapters 17-18)

Note that the material in some chapters will be complemented with parts of the Mathematical Appendix from the textbook and from additional notes. A full set of lectures will be provided as the class progresses.

**Important Dates:**

May 7, 2019 – First Lecture

May 9, 2019 – Lecture (1<sup>st</sup> hour), Writing Tutorial (2<sup>nd</sup> hour)

May 16, 2019 – First Regular Tutorial

May 28, 2019 – First term test

May 30, 2019 – Lecture instead of tutorial

June 6, 2019 – Due date for Writing Assignment 1

June 12, 2019 – Tutorial instead of lecture

June 13, 2019 – Second term test

July 2, 2019 – First Lecture of the second term

July 4, 2019 – First Tutorial of the second term

July 15, 2019 – Last day to drop the course without academic penalty

July 24, 2019 – Third term test

August 7, 2019 – Last Lecture

August 8, 2019 – Last Tutorial, Due date for Writing Assignment 2

August 15-22, 2019 – Final exam period.