

Department of Economics  
University of Toronto  
2010-11

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## ECONOMICS 209Y: MACROECONOMICS THEORY AND POLICY

### Main Reading List

#### Basic Texts

R.Dornbusch, S. Fischer, R. Startz, F. Atkins and G. Sparks, Macroeconomics. Seventh Canadian Edition (McGraw Hill, 2004).

#### Other References

D. Bond, J. Chant and R. Shearer, The Economics of the Canadian Financial System, (Prentice-Hall).

M. Bailey, National Income and the Price Level, (McGraw-Hill, 1962).

J.L. Carr, et al., The Illusion of Wage and Price Controls, Fraser Institute, 1976.

### I NATIONAL INCOME DETERMINATION

1. Introduction and Some Problems in Macroeconomics  
Ch. 1.
2. National Income Accounting  
Ch. 2.
3. Simple Keynesian Model  
Ch. 10, pp. 188-195.
4. Introduction of Government Sector  
Ch. 10, pp. 195-203.
5. Introduction of Foreign Sector  
Ch. 10, pp. 203-204.
6. Introduction of Monetary Sector  
Ch. 11.
7. Introduction to Labour Markets  
Ch. 3.
8. Underemployment Equilibrium
9. Classical versus Keynesian Model
10. Consumption Function  
Ch. 14.

11. Investment Function  
Ch. 15.
12. Demand for Money (covered in Spring Term)
13. Economic Fluctuations  
Ch. 6.
14. Economic Growth  
Chs. 4.

## II MONETARY THEORY AND POLICY

1. Money and Its Uses - A Hypothetical Model
2. The Quantity Equation
3. The Quantity Theory and the Demand for Money  
Ch. 16.
4. Supply of Money (Including Central Banking Techniques)  
Ch. 18.
5. Inflation  
Chs. 8.  
J.L. Carr, Wage and Price Controls: Panacea for Inflation or Prescription for Disaster?, Fraser Institute, 1976, reprinted in J.L. Carr, et al., The Illusions of Wage and Price Controls, Fraser Institute, 1976.
6. Money and Real Economic Activity  
Chs. 7.
7. Monetary Policy, Fiscal Policy and Stabilization  
Chs. 12, 17, 19.
8. New Classical Macro vs. New Keynesian  
Ch. 20.
9. International Monetary Arrangements  
Chs. 5, 13.
10. The Capital Market and Financial Intermediaries
11. Theory of Interest (Including Term Structure)

**NOTE:** The book recommended for this course is Dornbusch, Fischer, Startz, Atkins and Sparks. Final mark in this course will consist of a final examination counting for 50% and two term tests counting for 25%. The first term test is on Friday, November 5, 2010 and the second term test is on Friday, February 4, 2011.

I will not respond to email inquiries unless it is an emergency. I will take up 'generic' questions that could be of interest to all students at the beginning of next class.